991-92

United States
Department of
Education

Office of
Student Financial
Assistance

The Pell Grant Formula, 1991-92

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THE PELL GRANT FORMULA

1991-92

U.S. DEPARTMENT OF EDUCATION
OFFICE OF STUDENT FINANCIAL ASSISTANCE

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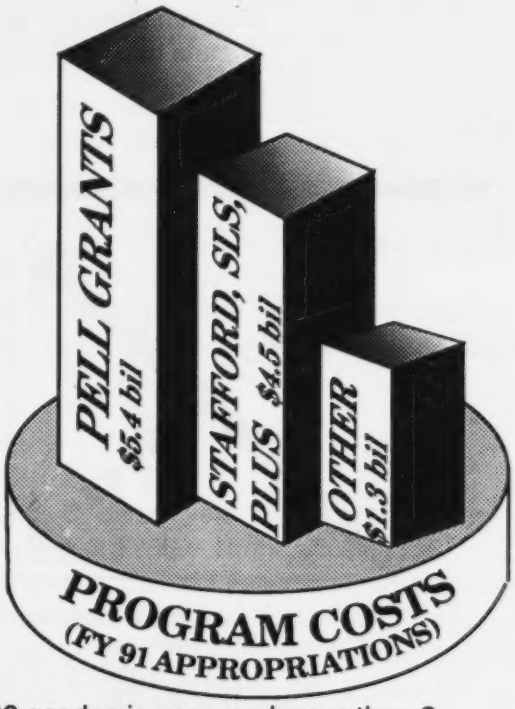
Part I

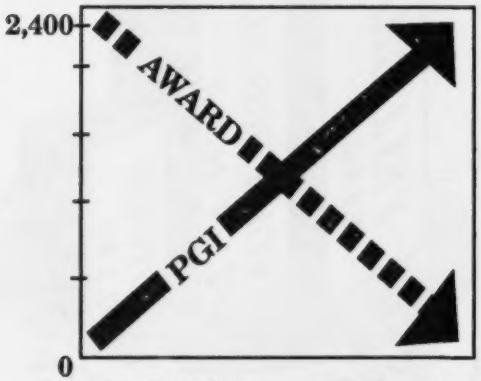
INTRODUCTION

This booklet presents a step-by-step explanation of how the U.S. Department of Education calculates the "Pell Grant Index" (or PGI) for a Pell Grant applicant, which is the measure of a student's eligibility for a Pell Grant.



The Pell Grant Program is currently the largest of the Federal student aid programs, in terms of cost to the government. (The Stafford Loan Program actually provides more aid to students because the loan principal is provided by private lenders.) The purpose of the Pell Grant Program is to provide grants to needy students who have not yet received a bachelor's degree. We anticipate that more than 5.5 million applications for assistance will be processed for the 1991-92 academic year, and more than 3 million students will receive in excess of $5.4 billion in Pell Grants.

Each year, the Office of Student Financial Assistance in the U.S. Department of Education receives numerous questions from students, parents, and counselors about how the Pell Grant Index (PGI) is calculated and how it is used. In order to determine a student's financial need, it is necessary to measure the financial strength of a student's family. The Pell Grant Program does this by applying a standard "need analysis" formula to the information the student reports on a financial aid application.



As the PGI increases, the award decreases. For instance:

- *the maximum award for a PGI of 0 is $2,400*
- *the maximum award for a PGI of 2100 is $200*

The result of this calculation is the PGI. A student who receives a PGI of 0 has maximum eligibility for a Pell Grant. As the PGI increases, showing greater financial strength, the student's Pell Grant eligibility decreases. If the student's PGI is above a maximum number, the student will not receive a Pell Grant. The maximum PGI for 1991-92 for a student to receive funds is 2100, though this is subject to change by Congressional action.

A student who is ineligible for a Pell Grant may still be eligible for aid from other Federal programs, such as the Stafford Loan Program, or the PLUS and SLS Programs. It is always advisable for students to check with the school's financial aid office about the availability of Federal and non-Federal aid. Eligibility for the Stafford Program (and several other Federal programs) is based on a different calculation, the Congressional Methodology, which produces a number known as the Family Contribution. Like the formula for the Pell Grant Program, the Congressional Methodology is established by law, and uses the student's application information to arrive at an expected family contribution. The two formulas use much of the same income and asset information, but the offsets and assessment rates (discussed in the following pages) are different.

Stafford • PLUS • SLS •

HEA 86 The PGI formula for the 1991-92 award year was established by the Higher Education Amendments of 1986. There are several variations of this formula, each applying to certain types of applicants: independent students, dependent students, dislocated workers, displaced homemakers and certain low-income families. (Applicants may fall into more than one category, and the various combinations of categories will be covered in the following pages.)

In this Part (Part I), we have answered some of the more common questions about the Pell Grant Program, need analysis, and the Pell formula. Part II contains the worksheets and instructions, and case studies using these worksheets are provided in Part III.

BASIC PROGRAM INFORMATION

What are the basic eligibility requirements for a Pell Grant?

To receive a grant, a student must not only demonstrate financial need, but must also meet other basic eligibility requirements. The student must —

- be enrolled as a regular student in an eligible program at an eligible school
- have a high school diploma or its recognized equivalent (or be above the age of compulsory school attendance in the State where the school is located and have the ability to benefit from the course of study at the school)
- be either a U.S. citizen or an eligible non-citizen
- be enrolled at least half-time
- be making satisfactory progress in his/her course of study
- sign a Statement of Updated Information, Registration Status, Anti-Drug Abuse Act Certification, Educational Purpose/Statement of Refunds and Defaults

A student is *not* eligible for a Pell Grant if he or she —

- has a baccalaureate degree
- is enrolled in an elementary or secondary school
- has borrowed in excess of the annual or aggregrate loan limits for the Department of Education loan programs

- is in default on a student loan or owes a refund on a student grant from the U.S. Department of Education*

In addition, if a student transfers from one postsecondary school to another, the student must arrange to have a financial aid transcript sent to the new school by the previous school (or schools, if the student has attended several postsecondary schools). The financial aid administrator at the new school will need the information on the financial aid transcript to determine the student's eligibility at that school.

How does a student apply for a Pell Grant?

To apply for a Pell Grant, the student must complete one of the following forms:

- The U.S. Department of Education's
  Application for Federal Student Aid (AFSA)

- The Pennsylvania Higher Education Assistance Agency's
  Application for Pennsylvania State Grant and Federal Student Aid

- CSX Commercial Services, Inc.'s
  Application for Federal and State Student Aid (AFSSA)

- United Student Aid Funds'
  Singlefile Form

- The American College Testing Program's
  Family Financial Statement (FFS)

- The College Scholarship Service's
  Financial Aid Form (FAF)

The Application for Federal Student Aid is a free form and can always be used if the student is only applying for aid from the U.S. Department of Education programs. In addition, there is no charge for only filling out the Federal portion of any of the other forms.

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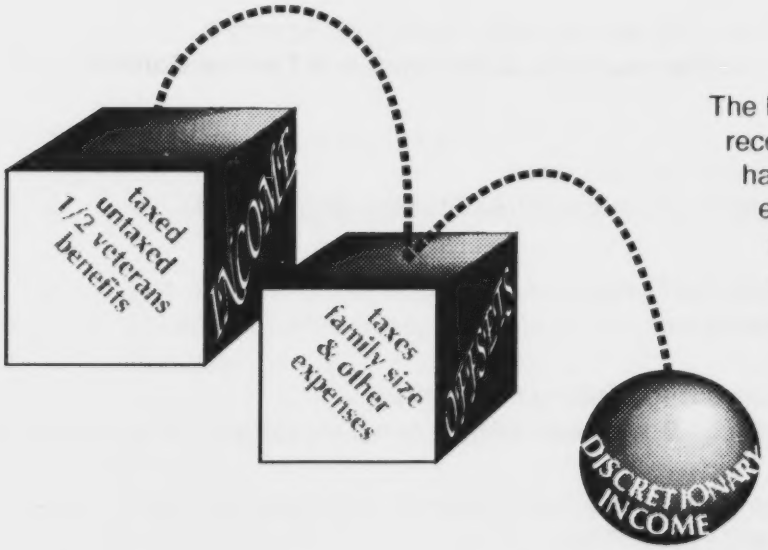
* The student is required to certify this information for the U.S. Department of Education programs. *Grant Programs*: Pell Grant, Supplemental Educational Opportunity Grant, State Student Incentive Grant. *Loan Programs*: Perkins Loan, (formerly National Defense/Direct Student Loan), Stafford Loan (formerly Guaranteed Student Loan), Supplemental Loan for Students, PLUS Loan, Income Contingent Loan, Consolidation Loan.

However, a school may require the student to use a different form if the student wants to be considered for other aid at that school. If a student uses one of the non-Federal forms, he or she should check the box in the middle of the form to have the information forwarded to the Federal processing center.

The Federal and non-Federal forms collect household and financial information which is used for the family's need analysis.

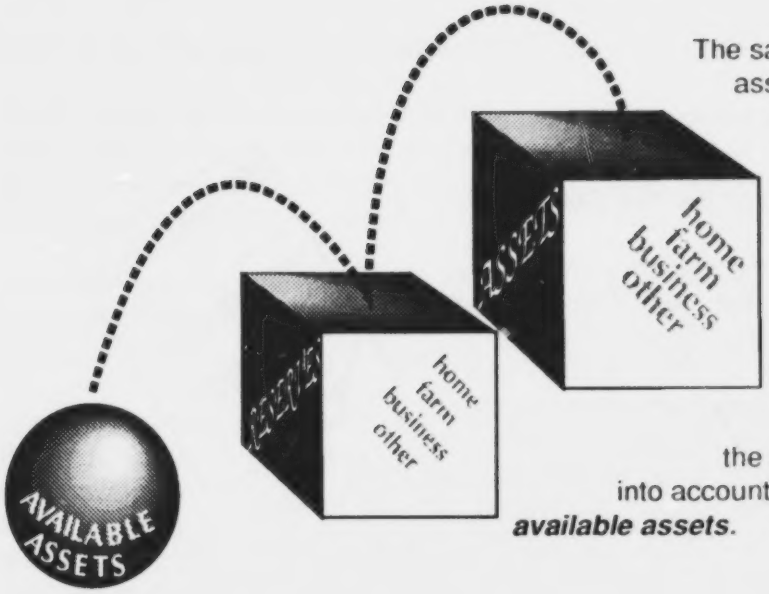
How does need analysis work?

Like most need analysis formulas, the Pell Grant formula measures the two main components of financial strength: ***income*** and ***assets***. (As we will see, assets are sometimes excluded from the formula for certain applicants.) The greater the family's income and assets, the more the family can contribute to meet the student's cost of attendance. However, the expected family contribution (Pell Grant Index) is not based strictly on a family's total income and assets.



The Pell Grant formula recognizes that every family has basic subsistence expenses for food, shelter, and other family needs. The formula provides a "family size offset," based on the number of family members, to take into account these necessary expenses.

The formula also provides offsets for income taxes paid, unusual medical/dental expenses, employment expenses, and elementary and secondary school tuition and fees. These offsets are deducted from the total income to find the family's ***discretionary income***.

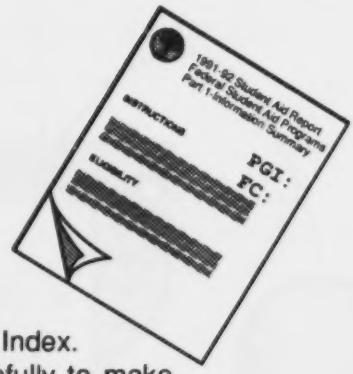


The same principle applies to assets. Assets are a significant part of a family's financial strength. The formula begins with the family's net assets, and then provides "asset reserves" to protect a portion of the family's net assets from assessment. The amount of the net assets that remain after the reserves have been taken into account are considered the family's ***available assets***.

The discretionary income and available assets are multiplied by separate, standard ***assessment rates*** to find the family's contribution from income and assets, the sum of which is known as the Pell Grant Index (PGI).

Of course, this is a greatly simplified description of the formula that you will see in the worksheets. For instance, there are additional adjustments for families that have negative income, or that have more than one family member in college. However, the basic principles described above are used every time a Pell Grant Index is calculated.

How is the student notified of the Pell Grant Index?



The agency that processed the student's financial aid application will send a Student Aid Report to the student's home address. He or she receives a Student Aid Report three to four weeks after applying. The Student Aid Report contains not only the Pell Grant Index (printed at the top right of the first page), but also the information used to calculate the Index. The student should review the Student Aid Report carefully to make sure that all the information is correct. Corrections must be made on Part 2 of the Student Aid Report, and mailed to the agency that processed the student's application. If no corrections are necessary the SAR should be taken to the school, not returned to the application processor.

When should the Student Aid Report be submitted to the school?

As soon as possible after the student has received it . The Student Aid Report (SAR) is the student's official documentation of Pell Grant eligibility. It may be necessary to correct the information on the SAR, especially if the school is verifying the student's information. The turnaround time for processing corrections to the SAR is approximately two to three weeks, including mail delivery. While there are some instances where an initial payment may be made to the student before the SAR is received, the student must always submit a valid SAR to the school to qualify for payment.

For the 1991-92 award year, the deadline for submitting the valid SAR to the school is the student's last day of enrollment, or June 30, 1992, whichever comes first. (If the school is verifying the student's application information, the student may qualify for a 60-day extension.)

How is the PGI used to determine the amount of the Pell Grant award?

While the PGI is used to assess the financial strength of the student's family, there are other factors that will affect the amount of the Pell Grant. The award will also be based on the applicant's cost of attendance, the length of time the applicant is enrolled during the award year, and his or her enrollment, status full-time or part-time).

The cost of attendance represents how much it would cost the student to attend full-time for an academic year. The costs include the student's actual or average tuition and fees, a standard allowance for living expenses, and other allowable costs, as specified by law.

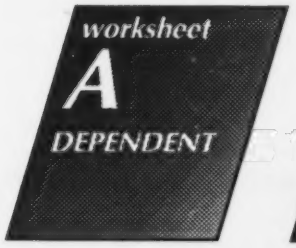
After the financial aid administrator calculates the cost of attendance, he or she will use the Payment Schedule published by the U.S. Department of Education to find the student's Pell Grant award for that year. There are three schedules, for full-time, three-quarter time, and half-time students. Each shows the range of awards based on the student's cost of education and PGI. The award for the year is then broken into pro-rated payments for each payment period (such as a semester, quarter, or sequence of clock hours).

THE WORKSHEETS

To simplify the calculations for different types of students, we have developed two basic worksheets:

Worksheet A - Dependent Student
Worksheet B - Independent Student

In addition, there are simplified versions of these worksheets for those students who qualify for the simplified formula. The simplified worksheets are essentially mirror images of the regular worksheets, with several data elements excluded from the calculation (assets, tuition and medical/dental offsets, and veterans educational benefits). These data elements have been shaded-in on the simplified worksheets.

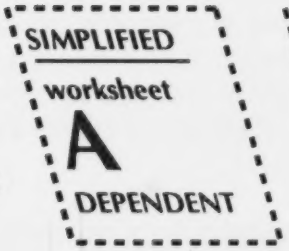


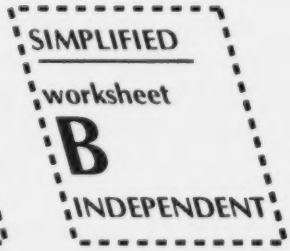
REGULAR WORKSHEETS

with modifications for --
-- dislocated workers
-- displaced homemakers
--special conditions

SIMPLIFIED WORKSHEETS

for families with total taxed (AGI) or earned income of $15,000 or less, who file the 1040A or 1040EZ, or do not file taxes. Includes modifications for special condition.





The regular formula provides additional steps for all dependent students and for some independent students when the student's family has ***farm or business assets.*** We have included these steps on a "Supplemental Worksheet" for families that have these assets.

Which worksheet should I use?

There are two decisions to be made. First, do you qualify for the simplified formula? Generally, the simplified formula is intended for families who file the 1040A or 1040EZ or are non-tax filers, and who have $15,000 or less in adjusted gross income. See the discussion of "The Simplified Formula" for a complete explanation of these requirements.

Second, is the student dependent or independent? The distinction between dependent student and independent student is very important. A dependent student must report parental information as well as his or her own information on the application. Thus, the dependent student calculation is more complex than that for the independent student, because it analyzes income and asset information for both the parent and the student.

What is the definition of an independent student?

The Higher Education Amendments of 1986 significantly changed the definition of an independent student for 1988-89 and subsequent award years. For the 1991-92 award year, a student is automatically independent if he or she:

1. is at least 24 years of age by December 31, 1991;
2. is a veteran of the U.S. Armed Forces;
3. is an orphan or ward of the court or both parents are dead;
4. has legal dependents other than a spouse.

The student will also be considered to be independent if the school documents that one of the following circumstances exists:

- *The student is married or a graduate or professional student,* and will not be claimed as an income tax exemption by his or her parents for the 1991 tax year. (Note that a graduate or professional student is not eligible for a Pell Grant.)

- *The student is a single undergraduate student,* and was not claimed as an income tax exemption by his or her parents in either 1989 or 1990, and demonstrates self-sufficiency for two years as evidenced by annual total resources of at least $4,000. (Which two years are used for the self-sufficiency test depends on the years that the student first received Federal student aid. If the student first received aid in the 1988-89 award year, the two years of self-sufficiency are 1986 and 1987. If the student first received aid in the 1989-90 award year, the two years of self-sufficiency are 1987 and 1988. If the student first received aid in the 1990-91 award year but not in 1989-90, the two

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years of self-sufficiency are 1988 and 1989. If the student did not receive aid in the 1989-90 or 1990-91 award years, the two years are 1989 and 1990.)

Remember that the financial aid administrator is required to *document* that a student meets one of the last two criteria (see arrows, opposite page). The financial aid administrator may ask for a copy of the student's tax return, the parents' tax return, a marriage certificate, a promissory note, or other proof that the student meets the criteria for eligibility.

Also note that the law makes an exception to these two criteria. Even if a student meets one of these criteria, the student would be considered to be dependent in the 1991-92 award year if the student was an independent student in the 1990-91 award year, but was claimed as an income tax exemption by another person (other than his or her spouse) in 1990.

In unusual circumstances, a student who does not meet any of these criteria may still be considered independent. The financial aid administrator at the student's school can make a special-case determination of independence, and must document in the student's file the reasons for that determination.

TERMS IN THE DEFINITION OF AN INDEPENDENT STUDENT

LEGAL DEPENDENT. Any person who lives with the student, receives more than half-support from the student, and will continue to receive more than half-support from the student during the award year. Also, the natural or adopted child of the student, or a child for whom the student is legal guardian, if the child receives more than half-support from the student (the child does not have to live with the student).

RESOURCES. Because they are proof of the student's independence, resources cannot include any gifts, loans or support from the parents. Resources include taxed and untaxed income, student financial aid (except PLUS loans), personal long-term cash loans used for educational purposes, and any gifts or support.

THE REGULAR FORMULA

The worksheets for the regular formula use base year (1990) income and offset information and the family's net assets at the time of application to calculate the student's PGI. However, the worksheets for the regular formula also include modifications for family members who are dislocated workers or displaced homemakers, as discussed in the next section.

Why are assets used in the formula?

To fully measure a family's ability to contribute towards the cost of education, the effect of assets on the family's total financial strength must be considered. For example, a strong net asset position indicates that essential assets have already been accumulated, or at least partially accumulated, and a family could thus contribute more from its current income. The family's reserve of assets would also be a potential source of supplemental income, if the family chose to borrow against the assets.

On the other hand, a family with insufficient income to accumulate assets may need to have a portion of income reserved to provide security for such purposes as retirement or emergencies.

Assets only become a factor when their net value (after debts have been subtracted) exceeds the asset reserve. Only the amount of the assets that exceeds the reserve is considered to be available, and only a portion of the available assets is assessed in the formula.

Why is 1990 information used for the 1991-92 award year?

Although most parents and students provide for educational expenses from their 1991 income ("expected-year income"), estimates of the amount of this income cannot easily be verified. In addition, studies show that, in general, expected-year estimates give a less accurate picture of a family's financial strength than base-year figures. Middle-income families consistently overestimate their earnings.

The most valid measure of taxed income is the adjusted gross income item in the family's Federal income tax return. This information is available to most families, and the information can be easily and accurately verified by referring to the 1990 IRS forms actually filed by the parents or student. (Note that the regular formula uses expected-year income instead of 1990 income for a dislocated worker.)

"Base Year" = 1990
Calendar Year

"Expected Year" = 1991
Calendar Year

DISLOCATED WORKERS AND DISPLACED HOMEMAKERS

The law makes several modifications to the Pell Grant formula for dislocated workers and displaced homemakers. As programmed in the processing system, these changes are automatically made as part of the regular formula. We have noted the substitutions on the regular worksheets.

How is a displaced homemaker or dislocated worker treated in the formula?

The regular formula does not use home assets for a *displaced homemaker*. For a *dislocated worker*, the regular formula not only excludes home assets, but also substitutes expected year (1991) income for base year (1990) income.

Note that if one of the parents is a dislocated worker or a displaced homemaker, this will affect the calculation for both the father and mother, but does not carry over to the calculation for the dependent student. As an example, if the father of a dependent student was a dislocated worker, then 1991 income would be used for *both* parents, and the value of the parents' home would not be used in the calculation, even if the home was in the mother's name. However, the student/spouse income and assets would be assessed in the usual manner, unless the student or spouse was a displaced homemaker or a dislocated worker. (The reverse is also true: if either the student or spouse is a displaced homemaker or dislocated worker, it affects the calculation for both, but it would not affect the parents' calculation.)

What is a "dislocated worker"?

This is a classification used by state employment agencies (such as the State Employment Service or Job Service). "Dislocated worker" generally means a person who has been fired or laid off from work, or who was self-employed (such as a farmer) but is now unemployed because of poor economic conditions in the community or because of a natural disaster. The parent, student, or spouse must be classified as a dislocated worker by the state employment agency or job service office to claim dislocated worker status on the financial aid application.

What is a "displaced homemaker"?

A displaced homemaker generally means a person who —

1. has not worked in the labor force for a substantial number of years (approximately five years or more), but has been a homemaker for those years (i.e., has worked in the home providing unpaid services for family members), and

2. is currently receiving public assistance for dependent children in the home, or who has been dependent on public assistance or on the income of another family member, but is no longer receiving that income, and

3. is unemployed or underemployed and is having trouble getting a job or getting a better job.

How does the formula treat a family that has both a displaced homemaker and a dislocated worker?

The family would get the benefit of both modifications. For instance, if an independent student is a dislocated worker, and her spouse is a displaced homemaker, home assets would be excluded from the formula *and* expected income would be substituted for base year income.

On the other hand if a dependent student was a displaced homemaker, and one of her parents was a dislocated worker, any home assets of the student would be excluded from the formula, and the dislocated worker adjustments would be made to the parent(s) income and home assets.

THE SIMPLIFIED FORMULA

The law also mandates a simplified needs test. The primary purpose of the simplified needs test is to make it easier for students from low-income households to fill out the application. The Application for Federal Student Aid is designed so that a student who qualifies for the simplified needs test only has to fill out the first part of the form.

However, because there are fewer data elements in the simplified needs test, there are several ramifications for the Pell Grant formula. Generally, the student may be eligible for a larger award under the simplified formula, because the formula does not include the family's assets. On the other hand, it may be to the student's advantage to fill out the complete application if the family has significant expenses for elementary or secondary tuition, medical/dental expenses, or one of the family members is a dislocated worker. If the student fills out the complete application, the processor will calculate both a regular and a simplified Pell Grant Index (PGI). The simplified PGI is usually more advantageous, and is the PGI printed on the front of the Student Aid Report in most cases. (However, if the simplified PGI is ineligible and the regular PGI is eligible, then the regular PGI will be printed on the front, and will be considered the primary PGI.)

This workbook includes "simplified" versions of Worksheets A and B. The simplified worksheets are virtually identical to the regular worksheets, except that we have shaded in the data elements that are not used in the simplified formula, and have removed the references for dislocated workers and displaced homemakers.

Simplified formula does not include:

- home or other assets
- veterans educational benefits
- offsets for medical dental expenses
- offset for elementary/ secondary tuition
- use of expected year income for dislocated workers

When must I use the simplified formula?

To put it simply, you must use this formula when the family's taxed income or earned income is $15,000 or less, and the relevant family members were non-tax filers or used a 1040A or a 1040EZ to file their taxes.* For a more precise definition, see the box on the next page.

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* "Taxed income," for financial aid purposes, is the family's adjusted gross income from the IRS form. If the family did not file a tax return, "earned income" is used instead, as reported on the application. Note that for non-tax filers, you must add the items "income earned from work" for Father/Mother, Student /Spouse (instead of adjusted gross income) to find the total family income.

DEPENDENT

Use the simplified formula if the *student and spouse,* and the *student's parents* —

- had total taxed or earned income of $15,000 or less for 1990, and
- were non-tax filers in 1990, or used a 1040A or 1040EZ to file taxes

INDEPENDENT

Use the simplified formula if the *student and spouse* —

- had total taxed or earned income of $15,000 or less for 1990, and
- were non-tax filers in 1990, or used a 1040A or 1040EZ to file taxes

Can a student qualify for the simplified formula if the family's income will drop below $15,000 in the next year (1991)?

The simplified formula can only be used if the family's *base year income* (1990) is $15,000 or less.

How does the formula treat a student who qualifies for the simplified formula but is also a dislocated worker/ displaced homemaker?

The simplified formula does not include special calculations for a displaced homemaker or a dislocated worker. As mentioned above, if a student provides enough information, the processing system will calculate both a regular and a "simplified" PGI. The regular formula will automatically use the alternate calculation for a displaced homemaker or a dislocated worker; the simplified formula will not.

However, the simplified formula already incorporates one major feature of the dislocated worker/displaced homemaker calculation: the elimination of home assets. If the student is a displaced homemaker and qualifies for the simplified needs test, the simplified formula already eliminates all assets (not just home assets) from consideration.

The only likely case in which there would be a significant difference in treatment would be for a dislocated worker. Both the regular and the simplified formula would eliminate home assets for a family that has a dislocated worker. However, the regular formula uses expected year income for a dislocated worker, while the simplified formula uses base year income in all cases.

SPECIAL CONDITIONS

If the family's financial circumstances have changed, the 1990 income information may no longer be an accurate indicator of the family's ability to contribute to the student's costs. In 1988-89, financial aid administrators were authorized to make adjustments to the Pell Grant PGI based on individual circumstances. Legislation (P.L. 100-436) removed the adjustment authority for the 1989-90 award year. Instead, the law specifies that expected year income can only be used under special conditions defined by the U.S. Department of Education (see chart on opposite page).

As shown on the chart, there are separate conditions for dependent students and independent students. The conditions for a dependent student are based on changes that affect *parental* income, while the conditions for an independent student are based on changes that affect the *student's* income. (Note that the law does not provide for adjustments to the dependent student's income.) The major difference between the dependent and independent conditions is the condition for an independent student who still has a job, but has switched to part-time employment — this condition covers the situation where the student worked full-time in 1990, but changed to part-time to attend school.

For the most part, these are the same special conditions that were used prior to the 1988-89 award year. A student who meets one of these conditions should see his or her financial aid administrator for assistance in processing the special condition.

For special condition filers, the Pell Grant formula uses expected year income for the parents' information or for an independent student. Expected year income will be used for both the regular and simplified calculations. However, keep in mind that dependent student's own income will still be base year (1990) income, unless the student is a dislocated worker under the regular formula.

SPECIAL CONDITIONS 1991-92	DEPENDENT	INDEPENDENT
Loss of employment	• One of the student's parents (or a stepparent) earned money in1990, but has lost his or her job for at least 10 weeks in 1991.	• The student worked full-time (at least 35 hours a week) for at least 30 weeks in 1990, but is not working full-time now. (Does not apply to the student's spouse.) • The student's spouse earned money in 1990, but has lost his or her job for at least 10 weeks in 1991.
Loss of earnings due to disability or natural disaster	• One of the student's parents earned money in 1990, but has not been able to earn money in his or her usual way for at least 10 weeks in 1991. This must have been because of either a disability or a natural disaster that happened in 1990 or 1991.	• The student (or spouse) earned money in 1990 but has not been able to earn money in the usual way for at least 10 weeks in 1991. This must have been because of either a disability or a natural disaster that happened in 1990 or 1991.
Loss of untaxed income or benefit	• One of the student's parents received unemployment compensation or some untaxed income or benefit in 1990, but has completely lost that income or benefit for at least 10 weeks in 1991. The untaxed income or benefit must have been paid by a public or private agency, from a company, or from a person because of a court order.	• The student (or spouse) received unemployment compensation or some untaxed income or benefit in 1990, but has completely lost that income or benefit for at least 10 weeks in 1991. The untaxed income or benefit must be from a public or private agency, from a company, or from a person because of a court order.
Separation or divorce	• The student has already applied for Federal student aid, but his or her parents have separated or gotten divorced since that time.	• The student has already applied for Federal student aid, but has separated or been widowed or divorced since that time.
Death	• The student has already applied for Federal student aid, but, since that time, one of the student's parents has died.	• The student has already applied for Federal student aid as a dependent student, but, since that time, the student's last surviving parent has died.

Is it always to the student's advantage to apply under a special condition (if he or she qualifies)?

In most cases, yes. It certainly will never be to the student's disadvantage to use the special condition, because the student will still be entitled to the simplified formula and the dislocated worker/displaced homemaker modifications.

There may be some cases where the student has already filed an application, and the special condition will not make a difference. (For instance, the formula already uses expected year income for a parent who is a dislocated worker, even if a special condition is not involved.)

What happens if the student files an application in the usual way, and then changes to a special condition?

The two applications will be treated as separate, valid transactions. The student will receive a Student Aid Report for each transaction. The student may submit the Student Aid Report that has the lower Pell Grant Index.

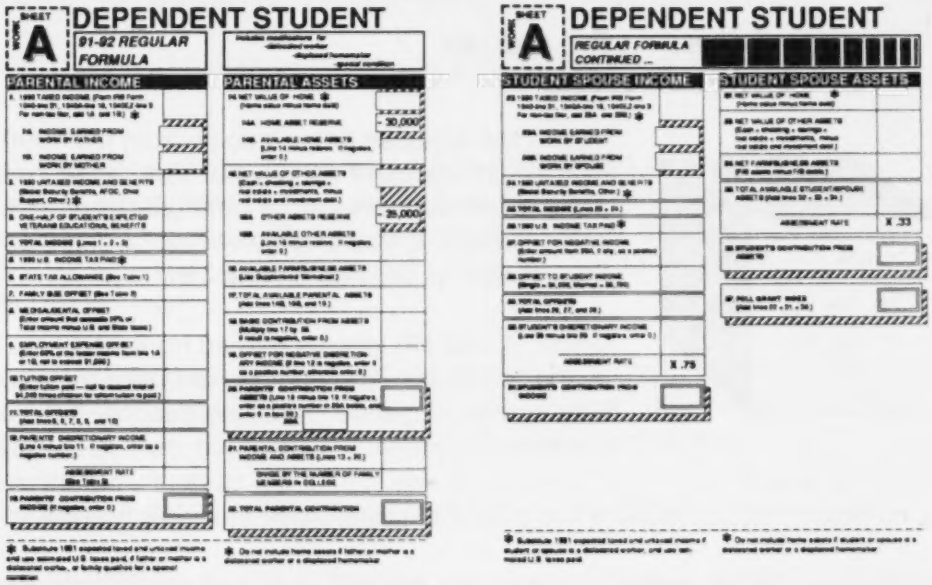
Part II

INSTRUCTIONS & WORKSHEETS

DEPENDENT STUDENT FORMULA

1991-92 PELL GRANT INDEX - WORKSHEET A

The dependent student formula is more complex than the independent student formula, because it contains two separate income and asset calculations: one for the parents' information, and the other for the student's information. However, the parent and student calculations are very similar in concept.



Use the first page of Worksheet A to find the parental contribution from income and assets. The second page of Worksheet A has similar steps for student/spouse income and assets. The major differences in the student calculation are that there are fewer offsets to income, no asset reserves, and a higher assessment rate than for the parents' income and assets. While the parents may have many other competing uses for their income and assets (savings for retirement, and other long-term goals), the formula presumes that the student will make educational costs his or her first priority after any non-discretionary expenses. (It should also be noted that the student's cost of attendance at the school includes living expenses while attending school, so the student's expenses are given additional consideration in determining the amount of the award.)

There are several alternate calculations that are used for qualifying applicants, as discussed in the introduction to this booklet. We have noted in the following instructions where adjustments must be made to calculate the Pell Grant Index if the father or mother, or the student or spouse, qualifies as a *displaced homemaker or a dislocated worker.* Instructions that may be omitted if the family qualifies for the *simplified needs test* are identified by a dashed line on the side of the page. If the family has *farm and/or business assets*, see the instructions for the Supplemental Worksheet, which includes additional steps for the treatment of those assets.

Once you have reviewed these instructions, you should be able to complete the worksheets, using Tables 1-3 at the back of this booklet. We have included directions on the worksheets themselves to guide you through each step of the calculation. However, please pay special attention to the steps for calculating the *medical/dental offset* and the *employment expense offset.* Because of space limitations, the directions on the worksheet for these two items are somewhat abbreviated.

FAMILY INCOME AND OFFSETS

1. *PARENTS' 1990 TAXED INCOME*

(FROM IRS FORM 1040-LINE 31, 1040A-LINE 16, OR 1040EZ-LINE 3)

This is the adjusted gross income from the 1990 U.S. income tax return. If negative or zero, enter zero. If the parents earned money from work but did not file an income tax return, that income should be listed on this line, as well as on lines 1A and 1B.

Lines 1A and 1B, income earned from work, are known as the "portions." The portions are used to calculate the Employment Expense Offset (as described for line 9). If the student's parents are married, always complete both 1A and 1B, even if one of the parent's income is 0. If the student's parent is unmarried, complete the appropriate line (1A or 1B), and leave the other one blank.

Keep in mind that the portions may not always add up to total taxed income. For example, line 1 may be greater than the sum of lines 1A and 1B if, in addition to income earned through employment, the parents have reported on their tax form other taxable income that was *not* earned from work, such as interest, dividends, taxable portions of capital gains, or taxable pensions.

Similarly, line 1 may be less than the sum of lines 1A and 1B if the parents have claimed on their tax return "Adjustments to Income" for such items as alimony payments, employee business expenses, payments to an IRA or Keogh account, or interest penalties on early withdrawal of savings.

Special condition/Dislocated worker. If the student qualifies for a special condition, or the father or mother is a dislocated worker, then the parents' expected income for the 1991 tax year will be used, instead of the reported 1990 figures. (See the introduction to this booklet for a list of the special conditions, and an explanation of who qualifies as a dislocated worker.)

2. 1990 UNTAXED INCOME AND BENEFITS
(SOCIAL SECURITY BENEFITS, AFDC, CHILD SUPPORT, OTHER)

Information on other untaxed income and benefits must also be collected, since this income may represent a considerable portion of the parental income of many Pell Grant recipients, and is used to meet household and other expenses covered by the Family Size Offset. Report the total yearly amount, not monthly payments.

This line should include all the types of untaxed income that are reported on the application:

- The total amount of untaxed Social Security benefits (including Supplemental Security Income) that the parents received in 1990 for themselves and for children under 18, including the applicant. Do not include taxable benefits reported on line 1. Do not report monthly amounts; write in the total for the year.

- The total amount of benefits that the parents received in 1990 from Aid to Families with Dependent Children (usually called AFDC or ADC benefits). Do not report monthly amounts; write in the total for the year.

- The total amount of child support received by the parents for all children.

- Any other forms of untaxed income, with the exception of student financial aid.

Special condition/Dislocated worker. If the student qualifies for a special condition, or the father or mother is a dislocated worker, then the parents' expected income for the 1991 tax year will be used, instead of the reported 1990 figures. (See the introduction to this booklet for a list of special conditions, and an explanation of who qualifies as a dislocated worker.)

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3. *ONE-HALF OF STUDENT'S EXPECTED VETERANS EDUCATIONAL BENEFITS*

This item should include one-half of the total veterans educational benefits discussed below that the applicant expects to receive in the 1991-92 award period (July 1, 1991-June 30, 1992). The only benefits to be included here are those from the Dependents Educational Assistance Program (do NOT include V.A. Contributory Benefits here or anywhere else in the Pell formula). Untaxed veterans benefits, if received by the *parents* in the 1990 calendar year, should be included on line 2 as untaxed income. Non-educational veterans benefits received by the applicant and his or her spouse in the 1990 calendar year should be included with the *student's* untaxed income. (Note: G.I. Bill Benefits paid under Chapters 34 and 35 of Title 38 of the U.S. Code, which use to be reported under this item, are no longer available.)

The amount to be entered on line 3 is calculated as follows: multiply the monthly amount of the applicant's veterans educational benefits times the number of months for which these payments are expected to be received between July 1, 1991 and June 30, 1992 and divide the result by two. Note that the lowest possible monthly payment from V.A. is $189.

EXAMPLE:
$448 (monthly payment) x 9 months = $4,032
$4,032 ÷ 2 = $2,016
Enter $2,016 on line 3

4. *TOTAL INCOME*

Add taxed income, untaxed income, and 1/2 veterans benefits (lines 1 + 2 + 3).

5. *1990 U.S. INCOME TAX PAID*

The amount reported here is the amount actually paid, not the amount withheld. *If the parents) did not file a tax return in 1990, enter 0 for this item.* The "tax paid" figure is from line 47 of IRS Form 1040, line 25 of Form 1040A, or line 7 of Form 1040EZ.

Special condition/Dislocated worker. Use estimated taxes for the 1991 year, as reported on the application.

6. *STATE TAX ALLOWANCE*

The State tax allowance is not reported by the applicant, but is specified in the law. The allowances for each State are listed in Table 1.

7. *FAMILY SIZE OFFSET*

A family has basic subsistence expenses that must be met before any contribution from income can be expected. The formula includes an allowance for these expenses, based on the number of persons in the parents' household.

Basically, family size includes persons for whom the parents of a dependent student will provide at least one-half of their total support for the 12 months of the award year (July 1, 1991 - June 30, 1992).

For a dependent student, this means that the student, the student's parents, and the student's dependent children should always be included in the family size. The student's siblings should be included if the parents will provide at least one-half of their support during the award year. In addition, a sibling of the student is always included in family size if the sibling is attending a postsecondary school at least half-time and would be considered a dependent student when applying for aid under the Federal student aid programs. Other persons should only be included if a) they were living with the parents at the time of application and received more than half of their support from the parents at that time, and b) they will continue to receive more than half of their support from the parents during the award year.

(It is possible for the spouse of a dependent student to be included in household size if he or she lives with the student's parents and gets more than half support from them, and will continue to live and get half support from the parents during the award year.)

Note that the student may be required to update the family size information if it changes later in the award year, unless the changes to family size are a result of a change in marital status. This information must be accurate as of the time the student submits the valid (complete and correct) Student Aid Report to the school.

The family size offsets are listed in Table 2.

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8. *MEDICAL/DENTAL OFFSET*

The amount of unusual medical expenses that may be deducted from total income (line 4 of this worksheet) is defined by law as that amount ***in excess of 20 percent of effective family income.*** Effective family income, as defined by the law, is the total income of the family (line 4, as calculated above), minus U.S. taxes paid and the State tax allowance. This limitation is designed to confine claims for such expenses to those that are genuinely unusual. You may wish to use the supplemental worksheet for this item, if you are not familiar with the calculation.

Unusual medical expenses should reflect the actual expenses paid during the 1990 calendar year and should not include unpaid debts incurred in other years. Expenses that are paid by insurance may not be reported. Only amounts not covered by insurance or not otherwise reimbursable may be listed.

9. *EMPLOYMENT EXPENSE OFFSET*

The formula provides an allowance for the additional employment-related expenses encountered by single-parent families and families in which both parents work. When both parents work, there generally are more household expenses associated with that employment. Similarly, if a household is headed by a single parent, the costs associated with his or her employment are greater than for a comparable worker with a spouse who is not employed.

When both parents work, the offset amounts to 50 percent of the earnings of the parent with the lower earnings, or $1,500, whichever is less. For a single-parent family, the offset amounts to 50 percent of the earnings of that parent, or $1,500, whichever is less.

The directions on the worksheet read: "Enter 50% of the lesser income from line 1A or 1B, not to exceed 1,500." The directions were worded this way to cover different situations, depending on the marital status of the student's parents.

- o If the student's parents are married, the offset is 50% of the lesser income (not to exceed $1,500). For example, if a student's mother earned $15,000 as an architect, and her father earned $3,000 a year editing technical manuals for the government, the employment expense offset would be $1,500. On the other hand, if the father were unemployed (income = 0), the employment expense offset would be 0.

o If the student's parent is a single head of household, then the offset is 50% of that parent's income (not to exceed $1,500). For example, if a student lives with his father, who is divorced and makes $15,000 a year as a librarian, the offset would be the maximum of $1,500. On the other hand, if the father was unemployed, and thus had no income earned from work, the employment expense offset would be 0.

Omit for Simplified

10. TUITION OFFSET

The amount of tuition and fees for family members enrolled in private elementary and secondary schools that may be deducted from the family's income is that amount paid in 1990 that was not covered by scholarships, grants, or other forms of student aid. This item does not include tuition and fees paid for the applicant, nor does it include those paid for dependents in postsecondary schools.

The Higher Education Amendments of 1986 set a limit on the amount of the tuition offset. The offset may not exceed $4,243 times the number of children for whom the parents paid tuition.

11. TOTAL OFFSETS AGAINST INCOME

Add the U.S. income tax paid, the State tax allowance, the family size offset, the offset for unusual medical expenses, the offset for employment expense, and the offset for unreimbursed elementary and secondary school tuition and fees. (Lines 5 + 6 + 7 + 8 + 9 + 10).

12. PARENTS' DISCRETIONARY INCOME

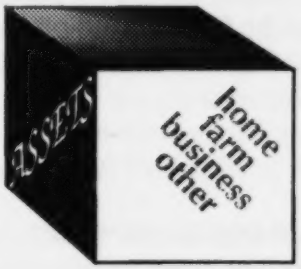
Subtract the total offset against income from the total income (line 4 - line 11). If the result is a positive number, some contribution is expected from this income to help pay the cost of the applicant's postsecondary education. If the discretionary family income is zero or a negative amount, no contribution is expected. If the income is negative, be sure to enter it as a negative number on line 12. The negative income will be used as an offset to parental assets and student income later in the formula.

13. PARENTS' CONTRIBUTION FROM INCOME

If discretionary family income (line 12) is negative or zero, enter zero on line 13. If line 12 is a positive amount, the expected contribution can be figured by using Table 3.

PARENTAL ASSETS

Omit for Simplified



14. NET VALUE OF HOME

Subtract the present mortgage and related debts from the current market value of the home. Current market value is the amount for which the house could have been sold at the time the application was signed. Some ways to determine the current market value are from a current appraisal, evaluation by a real estate office, or current ads for real estate sales. Do not use assessed, insured, or tax value. Enter the amount on line 14.

Dislocated worker/displaced homemaker. If the father or mother is a dislocated worker or a displaced homemaker, enter 0 for net value of the home. (See the introduction to this booklet for an explanation of who qualifies as a dislocated worker or a displaced homemaker.) If you are calculating the simplified PGI, all assets are automatically excluded from the formula, including home assets.

14A. HOME ASSET RESERVE

The first $30,000 of the net value of the parents' home is reserved from any assessment.

14B. AVAILABLE PARENTAL HOME ASSETS

Subtract the asset reserve from the net value of the home (line 14 - line 14A). If this is zero or a negative amount, enter zero.

15. NET VALUE OF OTHER ASSETS

(CASH + SAVINGS + CHECKING ACCOUNTS + REAL ESTATE + INVESTMENTS, MINUS REAL ESTATE AND INVESTMENT DEBT.)

The value of these assets should be the value on the day the application was signed. Include cash and the amount in savings and checking accounts. "Real estate" includes rental property, land, and second or summer homes. (Do not include the value of the home listed on line 14.) Investments include trust funds, money market funds, mutual funds, certificates of deposit, stocks, bonds, other securities, installment contracts for the sale of land and other real estate, commodities, precious and strategic metals, etc. Add together the value of all assets listed in this paragraph. Subtract any debts against the real estate or investments from the total assets, and enter the total net value on line 15. If this is zero or a negative amount, enter zero on line 15.

15A. OTHER ASSETS RESERVE

A reserve of $25,000 is subtracted from the net value of these assets, which allows families to protect a portion of their assets other than a home.

15B. AVAILABLE OTHER ASSETS

Subtract the asset reserve from other net assets (line 15 - line 15A). If this is zero or a negative amount, enter zero.

16. AVAILABLE FARM/BUSINESS ASSETS

If the student's parents have farm or business assets, you must use the Supplemental Worksheet. See the instructions following Worksheet B. If there are no farm or business assets, enter 0.

17. TOTAL AVAILABLE PARENTAL ASSETS

Add available parental home assets, other available parental assets, and available farm/business assets (line 14B + line 15B + line 16).

18. BASIC CONTRIBUTION FROM TOTAL AVAILABLE PARENTAL ASSETS

The assessment rate for available parental assets is 5 percent (.05). Because the value of assets grows, this rate of assessment will generally leave the family's asset position unimpaired.

Multiply the total available parental assets (line 17) by 5 percent to calculate the parental contribution from assets. If the result is negative or zero, enter zero.

19. OFFSET FOR NEGATIVE DISCRETIONARY INCOME

If the family's income is less than the sum of the various offsets against income, the support of basic family needs must be given priority over the support of postsecondary education. Therefore, if the family's discretionary income (as computed on line 12) is negative, that negative amount is subtracted from any contribution from parental assets. If line 12 is negative, enter it as a positive number on line 19; otherwise, enter zero.

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Omit for Simplified

20. PARENT'S CONTRIBUTION FROM ASSETS

If there is an amount greater than 0 in line 19, subtract it from the standard contribution from available parental assets (line 18 - line 19). If the result is positive or zero, this is the amount the parents are expected to contribute from assets (enter on line 20). If the result is negative, it should be held in reserve by entering it on line 20A, and a zero should be entered on line 20. The zero indicates that no contribution from parental assets will be expected. The negative amount held in reserve on line 20A will be used in line 27 as an additional offset against the student's (and spouse's) effective income.

21. CONTRIBUTION FROM FAMILY INCOME AND PARENTAL ASSETS

Add the contribution from income to the contribution from assets (line 13 + line 20).

ADJUSTMENT FOR FAMILY MEMBERS IN COLLEGE

If more than one family member is enrolled in a postsecondary school at least half-time for the 1991-92 academic year, the figure on line 21 must be adjusted to take into account the increased educational costs of the family. This adjustment is based on the number of family members who are enrolled as at least half-time students in postsecondary (higher) education. Be sure to include any parent(s) enrolled in postsecondary education.

22. TOTAL PARENTAL CONTRIBUTION

Divide the contribution from income and assets (line 21) by the number of family members enrolled as at least half-time students in postsecondary (higher) education. Enter the result on line 22.

STUDENT/SPOUSE INCOME

23. 1990 TAXED INCOME

(FROM IRS FORM 1040-LINE 31, 1040A-LINE 16, OR 1040EZ-LINE 3)

Enter the amount from the 1990 U.S. income tax return. If negative or zero, enter zero. If the student or spouse earned money from work but did not file an income tax return, that income should be added together (23A + 23B) and listed in this item. (The treatment of taxed income for the dependent student is essentially similar to the instructions previously given for the parent in line item #1. Refer to that item for a complete discussion of the relationship between earnings and taxed income.)

Dislocated worker. If the student or spouse is a dislocated worker, then the expected income for the 1991 tax year will be used, instead of the reported 1990 figures. (See the introduction to this booklet for an explanation of who qualifies as a dislocated worker.) However, if you are calculating the simplified PGI, you *must* use base-year (1990) income.

24. 1990 UNTAXED INCOME AND BENEFITS

(SOCIAL SECURITY BENEFITS, OTHER — DO NOT USE AFDC OR CHILD SUPPORT AMOUNTS)

Information on untaxed income and benefits must also be collected, since this income may represent a considerable portion of the income of many Pell Grant recipients, and is used to meet household and other expenses covered by the Family Size Offset.

This line should include the following types of untaxed income that are reported on the application:

- The total amount of untaxed Social Security benefits (including Supplemental Security Income) that the student and spouse received in 1990 for themselves and for children under 18. Do not include taxable benefits reported on line 23. Do not report monthly amounts; write in the total for the year.

- Other forms of untaxed income, except for AFDC, child support, or student financial assistance. Report the total yearly amount, not monthly payments.

Dislocated worker. If the student or spouse is a dislocated worker, then the expected income for the 1991 tax year will be used, instead of the reported 1990 figures. (See the introduction to this booklet for an explanation of who qualifies as a dislocated worker.) However, if you are calculating the simplified PGI, you *must* use base-year (1990) income.

25. TOTAL INCOME

Add taxed income to untaxed income (lines 23 + 24).

26. U.S. INCOME TAX PAID

Enter the amount from line 47 of IRS Form 1040, line 25 of Form 1040A, or line 7 of Form 1040EZ. Note that if the student/spouse did not file an income tax return, no U.S. income tax paid is included in the calculation.

Dislocated worker. Use estimated taxes paid for 1991, as reported on the application.

27. OFFSET FOR NEGATIVE INCOME

Enter the amount from 20A, if any, as a positive number (if you are using the simplified formula, enter the negative income, if any, from Item 12). Item 20A represents negative discretionary income of the parents that exceeded the parents' basic contribution from assets. This remaining negative income is carried over from the parental part of the formula, and used as an offset against student income. The formula assumes that the student would be called upon to contribute more of his or her income to the family's expenses if the parents had excessive negative income.

For example, if the parents of a single dependent student had negative $7,000 in discretionary income, and had a basic contribution from assets of $5,000, then the negative discretionary income would be used first to offset the asset contribution, and then would be used as an offset against the student's income. Thus, the student would be entitled to an offset of $2,000 based on negative parental income.

28. OFFSET TO STUDENT INCOME

The student is given a basic offset to income, which is either $4,000 (for a single student), or $5,700 (for a married student).

29. TOTAL OFFSETS

Add lines 26, 27, and 28.

30. STUDENT'S DISCRETIONARY INCOME

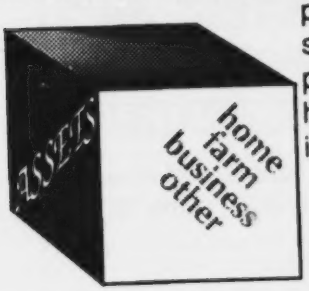
Subtract the total offsets from total income (line 25 minus line 29). If 0 or negative, enter 0.

31. STUDENT'S CONTRIBUTION FROM INCOME

Multiply the student's discretionary income (Line 30) by .75.

STUDENT/SPOUSE ASSETS

The treatment of dependent student assets essentially parallels the treatment of parental assets, except that there is no asset reserve for student assets. Because it is relatively unusual for a dependent student to have major investments, or to own a home or real estate, we have not repeated the information in the parental assets section on how to report these items.



32. NET VALUE OF HOME

Subtract the present mortgage and related debts from the current market value of the home.

Dislocated worker/displaced homemaker. If the student or spouse is a dislocated worker or a displaced homemaker, enter 0 for net value of the home. (See the introduction to this booklet for an explanation of who qualifies as a dislocated worker or a displaced homemaker.) If you are calculating the simplified PGI, all assets are automatically excluded from the formula, including home assets.

33. NET VALUE OF OTHER ASSETS

(CASH + SAVINGS + CHECKING ACCOUNTS + REAL ESTATE + INVESTMENTS, MINUS REAL ESTATE AND INVESTMENT DEBT.)

The value of these assets should be the value on the day the application was signed. Include cash and the amount in savings and checking accounts.

34. NET FARM/BUSINESS ASSETS

If the student has farm or business assets, the total net asset must be included on this line (subtract any debts against the farm or business from the farm/business value to get the net farm/business value).

35. TOTAL AVAILABLE STUDENT/SPOUSE ASSETS

Add net home assets, net other assets, and net farm/business assets (line 32 + line 33 + line 34). Since no reserves are provided for dependent student assets, the total net assets of the student or spouse are considered to be available and subject to the assessment rate for assets.

Omit for Simplified

36. STUDENT'S CONTRIBUTION FROM ASSETS

The total available student/spouse assets are multiplied by an assessment rate of 33% to find the expected contribution from student assets.

37. PELL GRANT INDEX

The Pell Grant Index is the total contribution from the parental income and assets, and the student's (and spouse's) income and assets (line 22 + line 31 + line 36).

WORK SHEET **A**

DEPENDENT STUDENT

91-92 REGULAR FORMULA

Includes modifications for
-dislocated worker
-displaced homemaker
-special condition

PARENTAL INCOME

1. 1990 TAXED INCOME (From IRS Form 1040-line 31, 1040A-line 16, 1040EZ-line 3. For non-tax filer, add 1A and 1B.) *	
1A. INCOME EARNED FROM WORK BY FATHER	
1B. INCOME EARNED FROM WORK BY MOTHER	
2. 1990 UNTAXED INCOME AND BENEFITS (Social Security Benefits, AFDC, Child Support, Other.) *	
3. ONE-HALF OF STUDENT'S EXPECTED VETERANS EDUCATIONAL BENEFITS	
4. **TOTAL INCOME** (Lines 1 + 2 + 3)	
5. 1990 U.S. INCOME TAX PAID *	
6. STATE TAX ALLOWANCE (See Table 1)	
7. FAMILY SIZE OFFSET (See Table 2)	
8. MEDICAL/DENTAL OFFSET (Enter amount that **exceeds** 20% of: Total income minus U.S. and State taxes.)	
9. EMPLOYMENT EXPENSE OFFSET (Enter 50% of the lesser income from line 1A or 1B, not to exceed $1,500.)	
10. TUITION OFFSET (Enter tuition paid — **not to exceed** total of $4,243 times children for whom tuition is paid.)	
11. **TOTAL OFFSETS** (Add lines 5, 6, 7, 8, 9, and 10)	
12. PARENTS' DISCRETIONARY INCOME (Line 4 minus line 11. If negative, enter as a negative number.)	
ASSESSMENT RATE (See Table 3)	
13. **PARENTS' CONTRIBUTION FROM INCOME** (If negative, enter 0.)	

PARENTAL ASSETS

14. NET VALUE OF HOME * (Home value minus home debt)	
14A. HOME ASSET RESERVE	- 30,000
14B. AVAILABLE HOME ASSETS (Line 14 minus reserve. If negative, enter 0.)	
15. NET VALUE OF OTHER ASSETS (Cash + checking + savings + real estate + investments, minus real estate and investment debt.)	
15A. OTHER ASSETS RESERVE	- 25,000
15B. AVAILABLE OTHER ASSETS (Line 15 minus reserve. If negative, enter 0.)	
16. AVAILABLE FARM/BUSINESS ASSETS (Use Supplemental Worksheet.)	
17. TOTAL AVAILABLE PARENTAL ASSETS (Add lines 14B, 15B, and 16.)	
18. BASIC CONTRIBUTION FROM ASSETS (Multiply line 17 by .05. If result is negative, enter 0.)	
19. OFFSET FOR NEGATIVE DISCRETIONARY INCOME (If line 12 is negative, enter it as a positive number; otherwise enter 0.)	
20. **PARENTS' CONTRIBUTION FROM ASSETS** (Line 18 minus line 19. If negative, enter as a positive number in 20A below, and enter 0 in box 20.)	
20A.	
21. PARENTAL CONTRIBUTION FROM INCOME AND ASSETS (Lines 13 + 20.)	
DIVIDE BY THE NUMBER OF FAMILY MEMBERS IN COLLEGE	
22. **TOTAL PARENTAL CONTRIBUTION**	

* Substitute 1991 expected taxed and untaxed income and use estimated U.S. taxes paid, if father or mother is a dislocated worker, or family qualifies for a special condition.

* Do not include home assets if father or mother is a dislocated worker or a displaced homemaker.

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WORK SHEET **A**

DEPENDENT STUDENT

REGULAR FORMULA CONTINUED ...

STUDENT/SPOUSE INCOME

23. 1990 TAXED INCOME (From IRS Form 1040-line 31, 1040A-line 16, 1040EZ-line 3. For non-tax filer, add 23A and 23B.) *	
23A. INCOME EARNED FROM WORK BY STUDENT	
23B. INCOME EARNED FROM WORK BY SPOUSE	
24. 1990 UNTAXED INCOME AND BENEFITS (Social Security Benefits, Other.) *	
25. **TOTAL INCOME** (Lines 23 + 24.)	
26. 1990 U.S. INCOME TAX PAID *	
27. OFFSET FOR NEGATIVE INCOME (Enter amount from 20A, if any, as a positive number.)	
28. OFFSET TO STUDENT INCOME (Single = $4,000, Married = $5,700)	
29. **TOTAL OFFSETS** (Add lines 26, 27, and 28.)	
30. STUDENT'S DISCRETIONARY INCOME (Line 25 minus line 29. If negative, enter 0.)	
ASSESSMENT RATE	X .75
31. **STUDENT'S CONTRIBUTION FROM INCOME**	

STUDENT/SPOUSE ASSETS

32. NET VALUE OF HOME * (Home value minus home debt)	
33. NET VALUE OF OTHER ASSETS (Cash + checking + savings + real estate + investments, minus real estate and investment debt.)	
34. NET FARM/BUSINESS ASSETS (F/B assets minus F/B debts.)	
35. TOTAL AVAILABLE STUDENT/SPOUSE ASSETS (Add lines 32 + 33 + 34.)	
ASSESSMENT RATE	X .33
36. **STUDENT'S CONTRIBUTION FROM ASSETS** (If negative, enter 0.)	
37. **PELL GRANT INDEX** (Add lines 22 + 31 + 36.)	

* Substitute 1991 expected taxed and untaxed income if student or spouse is a dislocated worker, and use estimated U.S. taxes paid.

* Do not include home assets if student or spouse is a dislocated worker or a displaced homemaker.

WORK SHEET **A**

DEPENDENT STUDENT

91-92 SIMPLIFIED

Do not fill in shaded areas

You may use the simplified calculation if the total taxed or earned income for the parents and student/spouse is $15,000 or less, and the parents, student, and spouse did not file a 1990 tax return, or filed a 1040A or 1040EZ.

PARENTAL INCOME

1. 1990 TAXED INCOME (From IRS Form 1040-line 31, 1040A-line 16, 1040EZ-line 3. For non-tax filer, add 1A and 1B.)*	
1A. INCOME EARNED FROM WORK BY FATHER	
1B. INCOME EARNED FROM WORK BY MOTHER	
2. 1990 UNTAXED INCOME AND BENEFITS (Social Security Benefits, AFDC, Child Support, Other.)*	
3. ONE-HALF OF STUDENT'S EXPECTED VETERANS EDUCATIONAL BENEFITS	
4. TOTAL INCOME (Lines 1 + 2 + 3)	
5. 1990 U.S. INCOME TAX PAID*	
6. STATE TAX ALLOWANCE (See Table 1)	
7. FAMILY SIZE OFFSET (See Table 2)	
8. MEDICAL/DENTAL OFFSET (Enter amount that **exceeds** 20% of: Total income minus U.S. and State taxes.)	
9. EMPLOYMENT EXPENSE OFFSET (Enter 50% of the **lesser** income from line 1A or 1B, not to exceed $1,500.)	
10. TUITION OFFSET (Enter tuition paid — **not to exceed** total of $4,243 times children for whom tuition is paid.)	
11. TOTAL OFFSETS (Add lines 5, 6, 7, 8, 9, 10)	
12. PARENTS' DISCRETIONARY INCOME (Line 4 minus line 11. If negative, enter as a negative number.)	
ASSESSMENT RATE (See Table 3)	
13. **PARENTS' CONTRIBUTION FROM INCOME** (If negative, enter 0.)	

* Substitute 1991 expected taxed and untaxed income and use estimated U.S. taxes paid if family qualifies for a special condition.

PARENTAL ASSETS

14. NET VALUE OF HOME (Home value minus home debt)	
14A. HOME ASSET RESERVE	
14B. AVAILABLE HOME ASSETS (Line 14 minus reserve. If negative, enter 0.)	
15. NET VALUE OF OTHER ASSETS (Cash + checking + savings + real estate + investments minus real estate and investment debt.)	
15A. OTHER ASSETS RESERVE	
15B. AVAILABLE OTHER ASSETS (Line 15 minus reserve. If negative, enter 0.)	
16. AVAILABLE FARM/BUSINESS ASSETS (Use Supplemental Worksheet.)	
17. TOTAL AVAILABLE PARENTAL ASSETS (Add lines 14B, 15B, and 16.)	
18. BASIC CONTRIBUTION FROM ASSETS (Multiply line 17 by .05. If result is negative, enter 0.)	
19. OFFSET FOR NEGATIVE DISCRETIONARY INCOME (If line 12 is negative, enter it as a positive number, otherwise enter 0.)	
20. **PARENTS' CONTRIBUTION FROM ASSETS** (Lines 18 - 19. If negative, enter as a positive number in 20A below, and enter 0 in box 20.) *20A.*	0
21. PARENTAL CONTRIBUTION FROM INCOME AND ASSETS (Lines 13 + 20.)	
DIVIDE BY THE NUMBER OF FAMILY MEMBERS IN COLLEGE	
22. **TOTAL PARENTAL CONTRIBUTION**	

WORK SHEET **A**

DEPENDENT STUDENT

SIMPLIFIED *CONTINUED ...*

Do not fill in shaded areas

STUDENT/SPOUSE INCOME

23. 1990 TAXED INCOME (From IRS Form 1040-line 31, 1040A-line 16, 1040EZ-line 3. For non-tax filer, add 23A and 23B.)	
23A. INCOME EARNED FROM WORK BY STUDENT	
23B. INCOME EARNED FROM WORK BY SPOUSE	
24. 1990 UNTAXED INCOME AND BENEFITS (Social Security Benefits, Other.)	
25. **TOTAL INCOME** (Lines 23 + 24.)	
26. 1990 U.S. INCOME TAX PAID	
27. OFFSET FOR NEGATIVE INCOME (If line 12 is negative, enter it as a positive numbe; otherwise enter 0.)	
28. OFFSET TO STUDENT INCOME (Single = $4,000, Married = $5,700)	
29. **TOTAL OFFSETS** (Add lines 26, 27, and 28.)	
30. STUDENT'S DISCRETIONARY INCOME (Line 25 minus line 29. If negative, enter 0.)	
ASSESSMENT RATE	X .75
31. **STUDENT'S CONTRIBUTION FROM INCOME**	

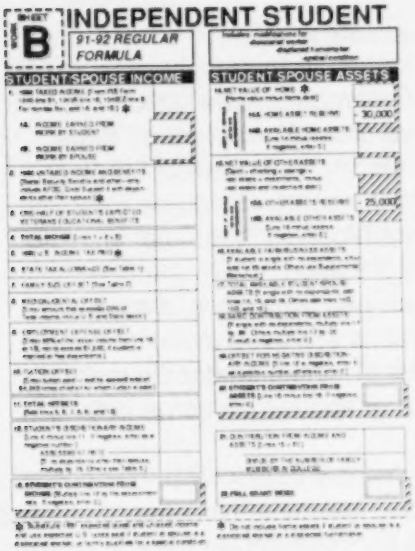
STUDENT/SPOUSE ASSETS

32. NET VALUE OF HOME (Home value minus home debt)	
33. NET VALUE OF OTHER ASSETS (Cash + checking + savings + real estate + investments, minus real estate and investment debt.)	
34. NET FARM/BUSINESS ASSETS (F/B assets minus F/B debts.)	
35. TOTAL AVAILABLE STUDENT/SPOUSE ASSETS (Add lines 32 + 33 + 34.)	
ASSESSMENT RATE	
36. **STUDENT'S CONTRIBUTION FROM ASSETS**	0
37. **PELL GRANT INDEX** (Add lines 22 + 31 + 36.)	

INDEPENDENT STUDENT FORMULA

1991-92 PELL GRANT INDEX - WORKSHEET B

The independent student formula is relatively simple, because it only uses the income and assets of the student and student's spouse.



The line items for the independent formula are virtually identical to those for the parents' contribution in the dependent formula. The major difference is in how the independent student's information is treated.

The independent student formula makes several distinctions based on whether the student is single or married, and whether the student has dependents other than a spouse. For instance, a single independent student with no dependents is not given an asset reserve and has a higher assessment of income and assets than a parent. While the parents may have many other competing uses for their income and assets (savings for retirement, and other long-term goals), the formula presumes that the student will make educational costs his or her first priority after any non-discretionary expenses. (It should also be noted that the student's cost of attendance at the school includes living expenses while attending school, so the student's expenses are given additional consideration in determining the amount of the award.)

The independent student formula, like the dependent student formula, includes alternate calculations for dislocated workers and displaced homemakers, and for families that qualify for the simplified needs test. We have noted in the following instructions where alterations must be made to calculate the Pell Grant Index if the student or spouse qualifies as a *displaced homemaker or a dislocated worker.*

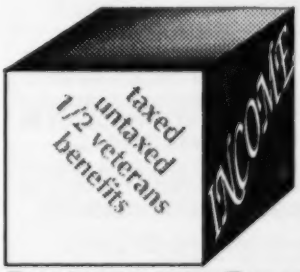
Instructions that may be omitted if the family qualifies for the *simplified needs test* are identified by a dashed line on the side of the page. If the family has *farm and/or business assets*, see the instructions for the Supplemental Worksheet, which includes additional steps for the treatment of those assets.

Once you have reviewed these instructions, you should be able to complete the worksheets, using Tables 1-3 at the back of this booklet. We have included directions on the worksheets themselves to guide you through each step of the calculation. However, please pay special attention to the steps for calculating the *medical/ dental offset* , the *tuition offset,* and the *employment expense offset.* Because of space limitations, the directions for these two items on the worksheet are somewhat abbreviated.

STUDENT/SPOUSE INCOME

1. 1990 TAXED INCOME

(FROM IRS FORM 1040-LINE 31, 1040A-LINE 16, OR 1040EZ-LINE 3)



This is the adjusted gross income from the 1990 U.S. income tax return. If negative or zero, enter zero. If the student or spouse earned money from work but did not file an income tax return, that income should be listed in this item, as well as on lines 1A and 1B.

Lines 1A and 1B, income earned from work, are known as the "portions." The portions are used to calculate the Employment Expense Offset (as described for line 9). If the student is married, always complete both 1A and 1B, even if the student's or spouse's income is 0. If the student is unmarried, complete line 1A.

Keep in mind that the portions may not always add up to total taxed income. For example, line 1 may be greater than the sum of lines 1A and 1B if, in addition to income earned through employment, the student has reported on his or her tax form other taxable income that was ***not*** earned from work, such as interest, dividends, taxable portions of capital gains, or taxable pensions.

Similarly, line 1 may be less than the sum of lines 1A and 1B if the student has claimed "Adjustments to Income" for such items as alimony payments, employee business expenses, payments to an IRA or Keogh account, or interest penalties on early withdrawal of savings.

Special condition/Dislocated worker. If the student qualifies for a special condition, or the student or spouse is a dislocated worker, then expected income for the 1991 tax year will be used instead of the reported 1990 figures. (See the introduction to this booklet for a list of special conditions and an explanation of who qualifies as a dislocated worker.)

2. *1990 UNTAXED INCOME AND BENEFITS*

(SOCIAL SECURITY BENEFITS AND OTHER — ONLY INCLUDE AFDC, CHILD SUPPORT IF MARRIED OR WITH DEPENDENTS OTHER THAN A SPOUSE)

Information on other untaxed income and benefits must also be collected, since this income may represent a considerable portion of the income of many Pell Grant recipients, and is used to meet household and other expenses covered by the Family Size Offset. Report the total yearly amount, not monthly payments.

This line should include all the types of untaxed income that are reported on the application:

- The total amount of untaxed Social Security benefits (including Supplemental Security Income) that the student/spouse received in 1990 for themselves and for children under 18. Do not include taxable benefits reported on line 1. Do not report monthly amounts; write in the total for the year.

- The total amount of benefits that the student/spouse received in 1990 from Aid to Families with Dependent Children (usually called AFDC or ADC benefits). Do not report monthly amounts; write in the total for the year. (Only include if the student has dependents other than a spouse.)

- The total amount of child support received by the student/spouse for all children. (Only include if the student has dependents other than a spouse.)

- Any other forms of untaxed income, with the exception of student financial aid.

Special condition/Dislocated worker. If the student qualifies for a special condition, or the student or spouse is a dislocated worker, then the expected income for the 1991 tax year will be used, instead of the reported 1990 figures. (See the introduction to this booklet for a list of special conditions and an explanation of who qualifies as a dislocated worker.)

3. *ONE-HALF OF STUDENT'S EXPECTED VETERANS EDUCATIONAL BENEFITS*

Omit for Simplified

This item should include one-half of the total veterans educational benefits discussed below that the applicant expects to receive in the 1991-92 award period (July 1, 1991-June 30, 1992). The only benefits to be included here are those from the Dependents Educational Assistance Program (do NOT include V.A. Contributory Benefits here or anywhere else). Non-educational veterans benefits received by the applicant and his or her spouse in the 1990 calendar year should be included on line 2 as untaxed income. (NOTE: G.I. Bill Benefits paid under Chapters 34 and 35 of

Title 38 of the U.S. Code, which use to be reported under this item, are no longer available.)

The amount to be entered on line 3 is calculated as follows: multiply the monthly amount of the applicant's veterans educational benefits times the number of months for which these payments are expected to be received between July 1, 1991and June 30, 1992 and divide the result by two. Note that the lowest possible monthly payment from V.A. is $189.

EXAMPLE:
$448 (monthly payment) x 9 months = $4,032
$4,032 ÷ 2 = $2,016
Enter $2,016 on line 3

4. TOTAL INCOME

Add taxed income, untaxed income, and 1/2 veterans benefits (lines 1 + 2 + 3).

5. 1990 U.S. INCOME TAX PAID

The amount reported here is the amount actually paid, not the amount withheld. *If the student and spouse did not file a tax return in 1990, enter 0 for this item.* The "tax paid" figure is from line 47 of IRS Form 1040, line 25 of Form 1040A, or line 7 of Form 1040EZ. If expected income is being used for a dislocated worker, expected taxes for 1991 are used in the formula, as reported on the application.

6. STATE TAX ALLOWANCE

The State tax allowance is not reported by the applicant, but is specified in the law. The allowances for each State are listed in Table 1.

7. FAMILY SIZE OFFSET

A family has basic subsistence expenses that must be met before any contribution from income can be expected. The formula includes an allowance for these expenses, based on the number of persons in the student's household.

For an independent student, this means that the student and the student's spouse should always be included in the family size. Dependent children are included if they will receive more than half of their support from the student (or the student's spouse) during the 1991-92 award year. Other persons should only be included if a) they were living with the student at the time of application and received more than

half of their support from the student (or the student's spouse) at that time, and b) they will continue to receive more than half of their support from the student (or the student's spouse) during the award year.

Note that family size information may have to be updated if it changes later in the award year, unless the changes to family size are a result of a change in marital status. This information must be accurate as of the time the student submits the valid (complete and correct) Student Aid Report to the school.

The family size offsets are listed in Table 2.

Omit for Simplified

8. MEDICAL/DENTAL OFFSET

The amount of unusual medical expenses that may be deducted from total income (line 4 of this worksheet) is defined by law as that amount ***in excess of 20 percent of effective family income.*** Effective family income, as defined by the law, is the total income of the family (line 4, as calculated above), minus U.S. taxes paid and the State tax allowance. This limitation is designed to confine claims for such expenses to those that are genuinely unusual. You may want to use the supplemental worksheet for this item, if you are not familiar with the calculation.

Unusual medical expenses should reflect the actual expenses paid during the 1990 calendar year, but should *not* include unpaid debts incurred in other years. Expenses that are paid by insurance may not be reported. Only amounts not covered by insurance or not otherwise reimbursable may be listed.

9. EMPLOYMENT EXPENSE OFFSET

The formula provides an allowance for the additional employment-related expenses encountered by single parent families and families in which both parents work. When both the student and the spouse work, there generally are more household expenses associated with that employment. Similarly, if the student is single with a dependent, the costs associated with his or her employment are greater than for a comparable worker with a spouse who is not employed. The employment expense offset is not used for independent students who are single with no dependents.

When both the student and the spouse work, the offset amounts to 50 percent of the earnings of the person with the lower earnings, or $1,500, whichever is less. If the student is a single parent, the offset amounts to 50 percent of his or her earnings, or $1,500, whichever is less. If the student is single with no dependents, there is no employment expense offset.

The directions on the worksheet read: "Enter 50% of the lesser income from line 1A or 1B, not to exceed 1,500, if the student is married or has dependents." The directions were worded this way to cover different situations, depending on the student's marital status.

- If the student is married, the offset is 50% of the lesser income (not to exceed $1,500). For example, if the student's spouse earned $15,000 as a graphic artist, and the student earned $3,000 a year proofreading technical manuals for the government, the employment expense offset would be $1,500. On the other hand, if the student were unemployed (income = 0), the employment expense offset would be 0.

- If the student is a single head of household, then the offset is 50% of his or her income (not to exceed $1,500). For example, if the student has a dependent child and makes $15,000 a year as a librarian, the offset would be the maximum of $1,500.

- If the student is single and has no dependents, the employment expense offset would be 0.

Omit for Simplified

10. TUITION OFFSET

This offset is the amount of tuition and fees paid in 1990 for family members enrolled in private elementary and secondary schools. Do not include tuition and fees that were paid by scholarships, grants, or other forms of student aid.

The Higher Education Amendments of 1986 set a limit on the amount of the tuition offset. The offset may not exceed $4,243 times the number of children for whom the student or spouse paid tuition.

Note that the law only provides the tuition offset to independent students who have dependents other than a spouse. In those rare cases where the student has married someone who attended a private secondary school in 1990, the spouse's tuition and fees would not be counted as an offset unless the student has other dependents.

11. TOTAL OFFSETS AGAINST INCOME

Add the U.S. income tax paid, the State tax allowance, the family size offset, the offset for unusual medical expenses, the offset for employment expense, and the offset for unreimbursed elementary and secondary school tuition and fees. (Lines 5 + 6 + 7 + 8 + 9 + 10).

12. STUDENT'S DISCRETIONARY INCOME

Subtract the total offset against income from the total income (line 4 - line 11). If the result is a positive number, some contribution is expected from this income to help pay the cost of the applicant's postsecondary education. If the discretionary family income is zero or a negative amount, no contribution is expected. If the income is negative, be sure to enter it as a negative number in line 12. The negative income will be used as an offset to assets later in the formula.

13. STUDENT'S CONTRIBUTION FROM INCOME

If discretionary family income (line 12) is negative or zero, enter zero on line 13. If line 12 is a positive amount and the student has no dependents (other than his or her spouse), multiply line 12 by .75. If the student has dependents other than a spouse, the expected contribution can be figured by using Table 3.

STUDENT/SPOUSE ASSETS

14. NET VALUE OF HOME

Subtract the present mortgage and related debts from the current market value of the home. Current market value is the amount for which the house could have been sold at the time the application was signed. Some ways to determine the current market value are from a current appraisal, evaluation by a real estate office, or current ads for real estate sales. Do not use assessed, insured, or tax value. Enter the amount on line 14. If the student is single and has no dependents, skip steps 14A and 14B. (A single independent student with no dependents does not receive the home asset reserve.)

Dislocated worker/displaced homemaker. If the student or spouse is a dislocated worker or a displaced homemaker, enter 0 for net value of the home. (See the introduction to this booklet for an explanation of who qualifies as a dislocated worker or a displaced homemaker.) If you are calculating the simplified PGI, all assets are automatically excluded from the formula, including home assets.

14A. HOME ASSET RESERVE

If the student is married or has dependents, the first $30,000 of the net value of the home is reserved from any assessment. There is no home asset reserve for single independent students without dependents.

Omit for Simplified

Omit for Simplified

14B. AVAILABLE HOME ASSETS

Subtract the asset reserve from the net value of the home (line 14 - line 14A) to find the available home assets for a student who is married or has dependents. If this is zero or a negative amount, enter zero.

15. NET VALUE OF OTHER ASSETS

(CASH + SAVINGS + CHECKING ACCOUNTS + REAL ESTATE + INVESTMENTS, MINUS REAL ESTATE AND INVESTMENT DEBT.)

The value of these assets should be the value on the day the application was signed. Include cash and the amount in savings and checking accounts. "Real estate" includes rental property, land, and second or summer homes. (Do not include the value of the home listed on line 14). Investments include trust funds, money market funds, mutual funds, certificates of deposit, stocks, bonds, other securities, installment contracts for the sale of land and other real estate, commodities, precious and strategic metals, etc. Add together the value of all assets listed in this paragraph. Subtract any debts against the real estate or investments from the total assets, and enter the total net value on line 15. If this is zero or a negative amount, enter zero on line 15.

If the student is single and has no dependents, skip steps 15A and 15B. (A single independent student with no dependents does not receive the reserve for other assets.)

15A. OTHER ASSETS RESERVE

If the student is married or has dependents, a reserve of $25,000 is subtracted from the net value of these assets.

15B. AVAILABLE OTHER ASSETS

Subtract the asset reserve from other net assets (line 15 - line 15A). If this is zero or a negative amount, enter zero.

16. AVAILABLE FARM/BUSINESS ASSETS

If the student is single with no dependents, enter the net value of his or her farm/business assets. If the student is married or has dependents, you must use the Supplemental Worksheet. See the instructions for that Worksheet. (If the student has no farm or business assets, enter 0.)

17. TOTAL AVAILABLE STUDENT/SPOUSE ASSETS

If the student is single with no dependents, add the total net assets (lines 14, 15, and 16). If the student is married or has dependents, add available home assets, available other assets, and available farm/business assets (line 14B + line 15B + line 16).

18. BASIC CONTRIBUTION FROM ASSETS

If the student is married or has dependents, the assessment rate for available assets is 5 percent (.05). Because the value of assets grows, this rate of assessment will generally leave the family's asset position unimpaired. If the student is single with no dependents, the assessment rate is .33.

Multiply the total available assets (line 17) by the appropriate assessment rate to calculate the student's contribution from assets. If the result is negative or zero, enter zero.

19. OFFSET FOR NEGATIVE DISCRETIONARY INCOME

If the family's income is less than the sum of the various offsets against income, the support of basic family needs must be given priority over the support of postsecondary education. Therefore, if the family's discretionary income (as computed on line 12) is negative, that negative amount is subtracted from any contribution from the assets. If line 12 is negative, enter it as a positive number on line 19; otherwise, enter zero.

20. STUDENT'S CONTRIBUTION FROM ASSETS

If there is negative income on line 19, subtract it from the basic contribution from available assets (line 18 - line 19). If the result is positive, this is the amount the student is expected to contribute from assets. If the result is negative or zero, zero should be entered on line 20. The zero indicates that no contribution from student assets will be expected.

21. CONTRIBUTION FROM INCOME AND ASSETS

Add the contribution from income to the contribution from assets (line 13 + line 20).

ADJUSTMENT FOR FAMILY MEMBERS IN COLLEGE

If more than one family member is enrolled in a postsecondary school at least half-time for the 1991-92 academic year, the figure on line 21 must be adjusted to take into account the increased educational costs of the family. This adjustment is based on the number of family members who are enrolled as at least half-time students in postsecondary (higher) education.

22. PELL GRANT INDEX

Divide the contribution from income and assets (line 21) by the number of family members in postsecondary (higher) education. Enter the result on line 22. This is the Pell Grant Index for an independent student.

Omit for Simplified

WORK SHEET **B**

INDEPENDENT STUDENT

91-92 REGULAR FORMULA

Includes modifications for
-dislocated worker
-displaced homemaker
-special condition

STUDENT/SPOUSE INCOME

1. 1990 TAXED INCOME (From IRS Form 1040-line 31, 1040A-line 16, 1040EZ-line 3. For non-tax filer, add 1A and 1B.) *	
1A. INCOME EARNED FROM WORK BY STUDENT	
1B. INCOME EARNED FROM WORK BY SPOUSE	
2. 1990 UNTAXED INCOME AND BENEFITS (Social Security Benefits and other—only include AFDC, Child Support if with dependents other than spouse.)*	
3. ONE-HALF OF STUDENT'S EXPECTED VETERANS EDUCATIONAL BENEFITS	
4. **TOTAL INCOME** (Lines 1 + 2 + 3)	
5. 1990 U.S. INCOME TAX PAID *	
6. STATE TAX ALLOWANCE (See Table 1)	
7. FAMILY SIZE OFFSET (See Table 2)	
8. MEDICAL/DENTAL OFFSET (Enter amount that **exceeds** 20% of: Total income minus U.S. and State taxes.)	
9. EMPLOYMENT EXPENSE OFFSET (Enter 50% of the lesser income from line 1A or 1B, not to exceed $1,500, if student is married or has dependents.)	
10. TUITION OFFSET (Enter tuition paid — **not to exceed** total of $4,243 times children for whom tuition is paid.)	
11. **TOTAL OFFSETS** (Add lines 5, 6, 7, 8, 9, and 10)	
12. STUDENT'S DISCRETIONARY INCOME (Line 4 minus line 11. If negative, enter as a negative number.)	
ASSESSMENT RATE (If no dependents other than spouse, multiply by .75. Others see Table 3.)	
13. **STUDENT'S CONTRIBUTION FROM INCOME** (Multiply line 12 by the assessment rate. If negative, enter 0.)	

STUDENT/SPOUSE ASSETS

14. NET VALUE OF HOME * (Home value minus home debt)	
OMIT IF SINGLE WITH NO DEPENDENTS — *14A.* HOME ASSET RESERVE	- 30,000
14B. AVAILABLE HOME ASSETS (Line 14 minus reserve. If negative, enter 0.)	
15. NET VALUE OF OTHER ASSETS (Cash + checking + savings + real estate + investments, minus real estate and investment debt.)	
OMIT IF SINGLE WITH NO DEPENDENTS — *15A.* OTHER ASSETS RESERVE	- 25,000
15B. AVAILABLE OTHER ASSETS (Line 15 minus reserve. If negative, enter 0.)	
16. AVAILABLE FARM/BUSINESS ASSETS (If student is single with no dependents, enter total net f/b assets. Others use Supplemental Worksheet.)	
17. TOTAL AVAILABLE STUDENT/SPOUSE ASSETS (If single with no dependents, add lines 14, 15, and 16. Others add lines 14B, 15B, and 16.)	
18. BASIC CONTRIBUTION FROM ASSETS (If single with no dependents, multiply line 17 by .33. Others multiply line 17 by .05. If result is negative, enter 0.)	
19. OFFSET FOR NEGATIVE DISCRETIONARY INCOME (If line 12 is negative, enter it as a positive number; otherwise enter 0.)	
20. **STUDENT'S CONTRIBUTION FROM ASSETS** (Line 18 minus line 19. If negative, enter 0.)	
21. CONTRIBUTION FROM INCOME AND ASSETS (Lines 13 + 20.)	
DIVIDE BY THE NUMBER OF FAMILY MEMBERS IN COLLEGE	
22. **PELL GRANT INDEX**	

* Substitute 1991 expected taxed and untaxed income and use expected U.S. taxes paid if student or spouse is a dislocated worker, or family qualifies for a special condition.

* Do not include home assets if student or spouse is a dislocated worker or a displaced homemaker.

WORK SHEET **B**

INDEPENDENT STUDENT

91-92 SIMPLIFIED

Do not fill in shaded areas

You may use the simplified calculation if the total taxed or earned income for the student and spouse is $15,000 or less, and the student and spouse did not file a 1990 tax return, or filed a 1040A or 1040EZ.

STUDENT/SPOUSE INCOME

1. 1990 TAXED INCOME (From IRS Form 1040-line 31, 1040A-line 16, 1040EZ-line 3. For non-tax filer, add 1A and 1B.)*	
1A. AMOUNT EARNED FROM WORK BY STUDENT	
1B. AMOUNT EARNED FROM WORK BY SPOUSE	
2. 1990 UNTAXED INCOME AND BENEFITS (Social Security Benefits and other—only include AFDC, Child Support if with dependents other than spouse.)*	
3. ONE-HALF OF STUDENT'S EXPECTED VETERANS EDUCATIONAL BENEFITS	
4. **TOTAL INCOME** (Lines 1 + 2 + 3)	
5. 1990 U.S. INCOME TAX PAID *	
6. STATE TAX ALLOWANCE (See Table 1)	
7. FAMILY SIZE OFFSET (See Table 2)	
8. MEDICAL/DENTAL OFFSET (Enter amount that **exceeds** 20% of: Total income minus U.S. and State taxes.)	
9. EMPLOYMENT EXPENSE OFFSET (Enter 50% of the lesser income from line 1A or 1B, not to exceed $1,500, if student is married or has dependents.)	
10. TUITION OFFSET (Enter tuition paid — **not to exceed** total of $4,243 times children for whom tuition is paid.)	
11. **TOTAL OFFSETS** (Add lines 5, 6, 7, 8, 9, and 10)	
12. STUDENT'S DISCRETIONARY INCOME (Line 4 minus line 11. If negative, enter as a negative number.)	
ASSESSMENT RATE (If no dependents other than spouse, multiply by .75. Others see Table 3.)	
13. **STUDENT'S CONTRIBUTION FROM INCOME** (Multiply line 12 by the assessment rate. If negative, enter 0.)	

*Substitute 1991 expected taxed and untaxed income and use extimated U.S. taxes paid if family qualifies for a special condition.

STUDENT/SPOUSE ASSETS

14. NET VALUE OF HOME (Home value minus home debt)	
OMIT IF SINGLE WITH NO DEPENDENTS — *14A.* HOME ASSET RESERVE	
14B. AVAILABLE HOME ASSETS (Line 14 minus reserve. If negative, enter 0.)	
15. NET VALUE OF OTHER ASSETS (Cash + checking + savings + real estate + investments, minus real estate and investment debt.)	
OMIT IF SINGLE WITH NO DEPENDENTS — *15A.* OTHER ASSETS RESERVE	
15B. AVAILABLE OTHER ASSETS (Line 15 minus reserve. If negative, enter 0.)	
16. AVAILABLE FARM/BUSINESS ASSETS (If student is single with no dependents, enter total net f/b assets. Others use Supplemental Worksheet.)	
17. TOTAL AVAILABLE STUDENT/SPOUSE ASSETS (If single with no dependents, add lines 14, 15, and 16. Others add lines 14B, 15B, and 16.)	
18. BASIC CONTRIBUTION FROM ASSETS (If single with no dependents, multiply line 17 by .33. Others multiply line 17 by .05. If result is negative, enter 0.)	
19. OFFSET FOR NEGATIVE DISCRETIONARY INCOME (If line 12 is negative, enter it as a positive number; otherwise enter 0.)	
20. **STUDENT'S CONTRIBUTION FROM ASSETS** (Line 18 minus line 19. If negative, enter 0.)	0
21. CONTRIBUTION FROM INCOME AND ASSETS (Lines 13 + 20.)	
DIVIDE BY THE NUMBER OF FAMILY MEMBERS IN COLLEGE	
22. **PELL GRANT INDEX**	

SUPPLEMENTAL WORKSHEETS

1991-92 PELL GRANT INDEX

The purpose of these worksheets is to give the sub-calculations for students who are entitled to the medical/dental offset and the farm/business asset reserves. The steps for the medical/dental offset have already been described in the instructions to Worksheets A and B, under Line 8.

The Pell Grant formula includes a reserve for farm and business assets for the families of dependent students, and independent students with dependents. If the family has business assets only, the reserve for the business assets is $80,000. If the family has farm assets only, or has a combination of farm assets and business assets, the total reserve for those assets is $100,000. However, there is an overall ceiling on the total reserves (including the reserves already used against home and other assets) that can be used by families with farm and business assets.

A family that has farm assets is limited to a total asset reserve of $130,000. A family that only has business assets is limited to a total asset reserve of $110,000.

The purpose of this supplemental worksheet is to find out the allowable reserve for the family's farm and business assets, taking into account the reserves that have already been used against the home and other assets. Once the reserve is known, you can easily calculate the available farm/business assets, enter that amount on line 16 of either the dependent or independent student worksheet, and continue.

A. NET FARM/BUSINESS ASSETS

Subtract any debts against the farm/business from the total value of the farm/business, and enter on this line.

B. MAXIMUM ALLOWABLE RESERVE

If the family has farm assets, the maximum reserve that can be used against all assets (including home and other assets) is $130,000. If the family has only business assets, the maximum reserve is $110,000.

C. HOME ASSET RESERVE USED

Enter the lesser of the amount on line 14 or 14A. For instance, if the net value of the home is $15,000, then the family would only have used $15,000 of the $25,000 reserve for home assets. In this case, the $15,000 should be entered on line C.

D. OTHER ASSETS RESERVE USED

Enter the lesser of the amount on line 15 or 15A. As with the previous example, the lesser of these two line items is used because the family may not have used the full amount of the reserve.

E. TOTAL RESERVES USED

Add lines C and D to find the total amount of reserves used for home and other assets.

F. RESERVE FOR FARM/BUSINESS ASSETS

If the family's assets include a farm, use the *lesser* of

1. the standard reserve against combined farm and business assets ($100,000), *or*
2. the difference between the maximum allowable reserve ($130,000) and the total reserves already used (E).

IF THE FAMILY HAS BUSINESS ASSETS, BUT NO FARM ASSETS, USE THE* LESSER *OF

1. the standard reserve against business assets ($80,000), *or*
2. the difference between the maximum allowable reserve ($110,000) and the total reserves already used (E).

G. AVAILABLE FARM/BUSINESS ASSETS

Subtract the reserve for farm/business assets, as computed on line F, from the net farm/business assets on line A. (If negative, enter 0.)

WORK SHEET **S**

91-92 SUPPLEMENTAL WORKSHEETS

for Farm and Business Assets, Medical/Dental Offset

To be used for Line 16 of Worksheets A and B (Regular Formula).

**Do not use if student is a single independent student with no dependents.*

FARM/BUSINESS ASSETS

A.	NET FARM/BUSINESS ASSETS (Farm/business value minus farm/business debt.)	
B.	MAXIMUM ALLOWABLE RESERVE FOR FARM/BUSINESS ASSETS (If assets include a farm, enter $130,000. If business asset only, enter $110,000.)	
C.	HOME ASSET RESERVE USED (Enter lesser of 14 or 14A.)	
D.	OTHER ASSETS RESERVE USED (Enter lesser of 15 or 15A.)	
E.	TOTAL RESERVES USED (Add **C + D.**)	

F. RESERVE FOR FARM/BUSINESS ASSETS

(If assets include farm, use **lesser** of: B minus E, **or** $100,000.)	(For business assets only, use **lesser** of: B minus E, **or** $80,000.)

G. **AVAILABLE FARM/BUSINESS ASSETS** (A minus F. If negative, enter 0)

To be used for Line 8 of Worksheets A and B (Regular Formula).

MEDICAL/DENTAL OFFSET

A.	TOTAL MEDICAL/DENTAL EXPENSES	
B.	TOTAL INCOME (Line 4)	
C.	FEDERAL AND STATE TAXES (Add lines 5 + 6)	
D.	EFFECTIVE INCOME (Line B minus line C)	
		X .20
E.	BASIC EXPENSES (Line D x .20)	

F. MEDICAL/DENTAL OFFSET (Line A minus line E. If line F is less than 0, the offset equals 0.)

Part III

CASE STUDIES

NOTES FOR COMPLETING CASE STUDIES

This section contains five case studies which show how the independent and dependent student formulas work, with some of the variations such as the simplified formula and the dislocated worker calculation. Each case study gives basic information about a family's financial situation. The notes to each case and the completed worksheet show how the Pell Grant Index is calculated from that information.

Each case study provides enough information to calculate the Pell Grant Index, including the State of residence to be used for the State tax allowance. If something is not explicitly mentioned (such as whether the family owns a house, or has untaxed income) you may assume that the family does not have that income, expense, or asset. However, as in real life, some of the case studies contain information that will not be used in the calculation.

Note that some of the items on the worksheet, such as 1990 income and U.S. income tax paid, are taken directly from the line items on the Application for Federal Student Aid. In other cases, you may have to find the family information on different line items on the financial aid applications. For instance, the second item on the worksheet (1990 untaxed income and benefits) combines the information from four line items on the financial aid application.

When working these cases, there are several key steps worth remembering:

- Always check to see if the family is eligible for the employment expense offset.
- Be especially careful when figuring the medical/dental offset. It's easy to miss a step in the calculation. We have added a Supplemental Worksheet explaining the steps in detail. You don't have to use the worksheet, but it may be helpful.
- Only use the ***net value*** of assets (the value of the asset minus any debts against the asset.)
- Use the standard rule for rounding to the nearest dollar: that is, round down for .49 or less, and round up for .50 or greater. (The processing system calculates decimals to 3 places before rounding.)

CASE STUDY 1 - JESSICA SWANLAKE (WISCONSIN)

Jessica Swanlake, who is 22 years old and recently divorced, lives with her mother, who is also divorced. Jessica's younger brother is also a member of the household. Jessica's mother had an adjusted gross income of $12,500 in 1990, all of it earned from work. She also received $2,500 in child support, and paid $1,432 in Federal income tax. The family paid $600 in tuition and $200 for meals for the brother to attend a private elementary school. The family's house is worth $60,000, and there is a $20,000 mortgage against it. The family has a total of $500 in checking and savings accounts.

Jessica had $5,000 adjusted gross income in 1990, from her job as an office assistant, and paid $62 in Federal income tax. However, she was laid off when the factory closed, and is classified as a dislocated worker. On the date Jessica filed her student aid application she had $300 in savings. Jessica will be enrolled in a a two-year program at a community college. Because she will be taking a full course load, she only expects to earn $2,000 (with no income tax) in 1991, most of it working in the cafeteria over the summer. Her mother claimed her as an income tax exemption on her 1989 income tax return.

NOTES TO CASE STUDY 1 - JESSICA SWANLAKE

- As a single undergraduate student who was claimed by a parent as an income tax exemption, Jessica is considered dependent on her mother.

- Because Jessica and her mother had a combined taxed income of $17,500, Jessica cannot use the simplified formula. However, she is considered a dislocated worker because she lost her job.

- The State tax allowance for Wisconsin is 12% for incomes of $15,000 or more.

- Only the tuition paid for Jessica's brother at the elementary school (not the cost of his meals) can be counted in the tuition offset.

- Because she is a dislocated worker, Jessica's income and U.S. taxes paid for 1990 are ignored. The $2,000 she expects to earn in 1991 is used instead, as well as her estimated taxes (0). Note that Jessica's status as a dislocated worker *does not* affect the calculation of the parental contribution — her mother's 1990 income was used for that part of the calculation.

WORK SHEET **A**

DEPENDENT STUDENT

91-92 REGULAR FORMULA

Includes modifications for
-dislocated worker
-displaced homemaker
-special condition

CASE STUDY #1 - Jessica Swanlake

PARENTAL INCOME

1. 1990 TAXED INCOME (From IRS Form 1040-line 31, 1040A-line 16, 1040EZ-line 3. For non-tax filer, add 1A and 1B.) *	12,500
1A. INCOME EARNED FROM WORK BY FATHER	
1B. INCOME EARNED FROM WORK BY MOTHER	12,500
2. 1990 UNTAXED INCOME AND BENEFITS (Social Security Benefits, AFDC, Child Support, Other.) *	2,500
3. ONE-HALF OF STUDENT'S EXPECTED VETERANS EDUCATIONAL BENEFITS	0
4. **TOTAL INCOME** (Lines 1 + 2 + 3)	15,000
5. 1990 U.S. INCOME TAX PAID *	1,432
6. STATE TAX ALLOWANCE (See Table 1)	1,800
7. FAMILY SIZE OFFSET (See Table 2)	9,200
8. MEDICAL/DENTAL OFFSET (Enter amount that **exceeds** 20% of: Total income minus U.S. and State taxes.)	0
9. EMPLOYMENT EXPENSE OFFSET (Enter 50% of the lesser income from line 1A or 1B, not to exceed $1,500.)	1,500
10. TUITION OFFSET (Enter tuition paid — **not to exceed** total of $4,243 times children for whom tuition is paid.)	600
11. **TOTAL OFFSETS** (Add lines 5, 6, 7, 8, 9, and 10)	14,532
12. PARENTS' DISCRETIONARY INCOME (Line 4 minus line 11. If negative, enter as a negative number.)	468
ASSESSMENT RATE (See Table 3)	.11
13. **PARENTS' CONTRIBUTION FROM INCOME** (If negative, enter 0.)	51

PARENTAL ASSETS

14. NET VALUE OF HOME * (Home value minus home debt)	40,000
14A. HOME ASSET RESERVE	- 30,000
14B. AVAILABLE HOME ASSETS (Line 14 minus reserve. If negative, enter 0.)	10,000
15. NET VALUE OF OTHER ASSETS (Cash + checking + savings + real estate + investments, minus real estate and investment debt.)	500
15A. OTHER ASSETS RESERVE	- 25,000
15B. AVAILABLE OTHER ASSETS (Line 15 minus reserve. If negative, enter 0.)	0
16. AVAILABLE FARM/BUSINESS ASSETS (Use Supplemental Worksheet.)	0
17. TOTAL AVAILABLE PARENTAL ASSETS (Add lines 14B, 15B, and 16.)	10,000
18. BASIC CONTRIBUTION FROM ASSETS (Multiply line 17 by .05. If result is negative, enter 0.)	500
19. OFFSET FOR NEGATIVE DISCRETIONARY INCOME (If line 12 is negative, enter it as a positive number; otherwise enter 0.)	0
20. **PARENTS' CONTRIBUTION FROM ASSETS** (Line 18 minus line 19. If negative, enter as a positive number in 20A below, and enter 0 in box 20.)	500
20A.	
21. PARENTAL CONTRIBUTION FROM INCOME AND ASSETS (Lines 13 + 20.)	551
DIVIDE BY THE NUMBER OF FAMILY MEMBERS IN COLLEGE	1
22. **TOTAL PARENTAL CONTRIBUTION**	551

* Substitute 1991 expected taxed and untaxed income and use estimated U.S. taxes paid, if father or mother is a dislocated worker, or family qualifies for a special condition.

* Do not include home assets if father or mother is a dislocated worker or a displaced homemaker.

WORK SHEET **A**

DEPENDENT STUDENT

REGULAR FORMULA CONTINUED ...

STUDENT/SPOUSE INCOME

23. 1990 TAXED INCOME (From IRS Form 1040-line 31, 1040A-line 16, 1040EZ-line 3. For non-tax filer, add 23A and 23B.) *	2,000
23A. INCOME EARNED FROM WORK BY STUDENT	2,000
23B. INCOME EARNED FROM WORK BY SPOUSE	
24. 1990 UNTAXED INCOME AND BENEFITS (Social Security Benefits, Other.) *	0
25. **TOTAL INCOME** (Lines 23 + 24.)	2,000
26. 1990 U.S. INCOME TAX PAID *	0
27. OFFSET FOR NEGATIVE INCOME (Enter amount from 20A, if any, as a positive number.)	0
28. OFFSET TO STUDENT INCOME (Single = $4,000, Married = $5,700)	4,000
29. **TOTAL OFFSETS** (Add lines 26, 27, and 28.)	4,000
30. STUDENT'S DISCRETIONARY INCOME (Line 25 minus line 29. If negative, enter 0.)	0
ASSESSMENT RATE	X .75
31. **STUDENT'S CONTRIBUTION FROM INCOME**	0

STUDENT/SPOUSE ASSETS

32. NET VALUE OF HOME * (Home value minus home debt)	0
33. NET VALUE OF OTHER ASSETS (Cash + checking + savings + real estate + investments, minus real estate and investment debt.)	300
34. NET FARM/BUSINESS ASSETS (F/B assets minus F/B debts.)	0
35. TOTAL AVAILABLE STUDENT/SPOUSE ASSETS (Add lines 32 + 33 + 34.)	300
ASSESSMENT RATE	X .33
36. **STUDENT'S CONTRIBUTION FROM ASSETS** (If negative, enter 0.)	99
37. **PELL GRANT INDEX** (Add lines 22 + 31 + 36.)	650

* Substitute 1991 expected taxed and untaxed income if student or spouse is a dislocated worker, and use estimated U.S. taxes paid.

* Do not include home assets if student or spouse is a dislocated worker or a displaced homemaker.

CASE STUDY 2 - HERBERT STENCIL (MISSISSIPPI)

Herbert Stencil and his wife Eileen live with his parents, Mr. and Mrs. Stencil, who intend to claim him as an income tax exemption in 1991. In 1990, Herb's father earned $15,000 from farm proceeds, and Herb's mother earned $6,000 from a part-time job. Mr. and Mrs. Stencil also support three other children who live at home. Their adjusted gross income (IRS Form 1040 - line 31) was $15,400, and they paid $1,474 in Federal income taxes in 1990. Their home is worth $80,000, with a $10,000 mortgage. Their farm is worth $120,000 with $30,000 in debts against it. The net value of their other assets is $5,500.

Herb and Eileen have $2,000 in cash, savings, and a mutual fund. Herb earned $5,000 in 1990, and paid $484 in U.S. income tax. For the summer of 1991 and the 1991-92 school year, they expect to earn $2,000, but will receive most of their support from Herb's parents. Eileen will also be in school this year; she is enrolled full-time in a graduate program. Herb will be completing the last year of a baccalaureate program (he is 21 years old).

NOTES TO CASE STUDY 2 - HERBERT STENCIL

- Because he is not yet 24 and his parents will claim him as an exemption for the 1991 tax year, Herb is considered to be a dependent student.

- The State tax allowance for Mississippi is 6% for total income over $15,000. (As noted, Mr. and Mrs. Stencil have a total 1990 income of $15,400.)

- Eileen can be included in the family size offset because she lives with and will receive more than half of her support from the Stencils.

- The formula shows that Mr. and Mrs. Stencil have negative discretionary income, which is carried over and used as a further offset to their expected contribution from assets. The remaining negative discretionary income is used as an additional offset to Herb and Eileen's income.

- Because Mr. and Mrs. Stencil have already used $35,500 of the reserves against home and other assets, the reserve for farm/business assets is reduced to $94,500. However, this is enough to offset their net farm assets of $90,000.

WORK SHEET **A**

DEPENDENT STUDENT

91-92 REGULAR FORMULA

Includes modifications for
-dislocated worker
-displaced homemaker
-special condition

CASE STUDY #2 - HERBERT STENCIL

PARENTAL INCOME

1. 1990 TAXED INCOME (From IRS Form 1040-line 31, 1040A-line 16, 1040EZ-line 3. For non-tax filer, add 1A and 1B.) *	15,400
1A. INCOME EARNED FROM WORK BY FATHER	15,000
1B. INCOME EARNED FROM WORK BY MOTHER	6,000
2. 1990 UNTAXED INCOME AND BENEFITS (Social Security Benefits, AFDC, Child Support, Other.) *	0
3. ONE-HALF OF STUDENT'S EXPECTED VETERANS EDUCATIONAL BENEFITS	0
4. **TOTAL INCOME** (Lines 1 + 2 + 3)	15,400
5. 1990 U.S. INCOME TAX PAID*	1,474
6. STATE TAX ALLOWANCE (See Table 1)	924
7. FAMILY SIZE OFFSET (See Table 2)	17,500
8. MEDICAL/DENTAL OFFSET (Enter amount that **exceeds** 20% of: Total income minus U.S. and State taxes.)	0
9. EMPLOYMENT EXPENSE OFFSET (Enter 50% of the lesser income from line 1A or 1B, not to exceed $1,500.)	1,500
10. TUITION OFFSET (Enter tuition paid — **not to exceed** total of $4,243 times children for whom tuition is paid.)	0
11. **TOTAL OFFSETS** (Add lines 5, 6, 7, 8, 9, and 10)	21,398
12. PARENTS' DISCRETIONARY INCOME (Line 4 minus line 11. If negative, enter as a negative number.)	-5,998
ASSESSMENT RATE (See Table 3)	
13. **PARENTS' CONTRIBUTION FROM INCOME** (If negative, enter 0.)	0

PARENTAL ASSETS

14. NET VALUE OF HOME * (Home value minus home debt)	70,000
14A. HOME ASSET RESERVE	- 30,000
14B. AVAILABLE HOME ASSETS (Line 14 minus reserve. If negative, enter 0.)	40,000
15. NET VALUE OF OTHER ASSETS (Cash + checking + savings + real estate + investments, minus real estate and investment debt.)	5,500
15A. OTHER ASSETS RESERVE	- 25,000
15B. AVAILABLE OTHER ASSETS (Line 15 minus reserve. If negative, enter 0.)	0
16. AVAILABLE FARM/BUSINESS ASSETS (Use Supplemental Worksheet.)	0
17. TOTAL AVAILABLE PARENTAL ASSETS (Add lines 14B, 15B, and 16.)	40,000
18. BASIC CONTRIBUTION FROM ASSETS (Multiply line 17 by .05. If result is negative, enter 0.)	2,000
19. OFFSET FOR NEGATIVE DISCRETIONARY INCOME (If line 12 is negative, enter it as a positive number; otherwise enter 0.)	5,998
20. **PARENTS' CONTRIBUTION FROM ASSETS** (Line 18 minus line 19. If negative, enter as a positive number in 20A below, and enter 0 in box 20.) 20A. 3,998	0
21. PARENTAL CONTRIBUTION FROM INCOME AND ASSETS (Lines 13 + 20.)	0
DIVIDE BY THE NUMBER OF FAMILY MEMBERS IN COLLEGE	
22. **TOTAL PARENTAL CONTRIBUTION**	0

* Substitute 1991 expected taxed and untaxed income and use estimated U.S. taxes paid, if father or mother is a dislocated worker, or family qualifies for a special condition.

* Do not include home assets if father or mother is a dislocated worker or a displaced homemaker.

WORK SHEET **A**

DEPENDENT STUDENT

REGULAR FORMULA CONTINUED ...

STUDENT/SPOUSE INCOME

23. 1990 TAXED INCOME (From IRS Form 1040-line 31, 1040A-line 16, 1040EZ-line 3. For non-tax filer, add 23A and 23B.) *	5,000
23A. INCOME EARNED FROM WORK BY STUDENT	5,000
23B. INCOME EARNED FROM WORK BY SPOUSE	
24. 1990 UNTAXED INCOME AND BENEFITS (Social Security Benefits, Other.) *	0
25. TOTAL INCOME (Lines 23 + 24.)	5,000
26. 1990 U.S. INCOME TAX PAID *	484
27. OFFSET FOR NEGATIVE INCOME (Enter amount from 20A, if any, as a positive number.)	3,998
28. OFFSET TO STUDENT INCOME (Single = $4,000, Married = $5,700)	5,700
29. TOTAL OFFSETS (Add lines 26, 27, and 28.)	10,182
30. STUDENT'S DISCRETIONARY INCOME (Line 25 minus line 29. If negative, enter 0.)	0
ASSESSMENT RATE	X .75
31. STUDENT'S CONTRIBUTION FROM INCOME	0

STUDENT/SPOUSE ASSETS

32. NET VALUE OF HOME * (Home value minus home debt)	0
33. NET VALUE OF OTHER ASSETS (Cash + checking + savings + real estate + investments, minus real estate and investment debt.)	2,000
34. NET FARM/BUSINESS ASSETS (F/B assets minus F/B debts.)	0
35. TOTAL AVAILABLE STUDENT/SPOUSE ASSETS (Add lines 32 + 33 + 34.)	2,000
ASSESSMENT RATE	X .33
36. STUDENT'S CONTRIBUTION FROM ASSETS (If negative, enter 0.)	660
37. PELL GRANT INDEX (Add lines 22 + 31 + 36.)	660

* Substitute 1991 expected taxed and untaxed income if student or spouse is a dislocated worker, and use estimated U.S. taxes paid.

* Do not include home assets if student or spouse is a dislocated worker or a displaced homemaker.

WORK SHEET **S**

91-92 SUPPLEMENTAL WORKSHEETS

for Farm and Business Assets, Medical/Dental Offset

CASE STUDY #2 - HERBERT STENCIL

To be used for Line 16 of Worksheets A and B (Regular Formula).

**Do not use if student is a single independent student with no dependents.*

FARM/BUSINESS ASSETS

A.	NET FARM/BUSINESS ASSETS (Farm/business value minus farm/business debt.)	90,000
B.	MAXIMUM ALLOWABLE RESERVE FOR FARM/BUSINESS ASSETS (If assets include a farm, enter $130,000. If business asset only, enter $110,000.)	130,000
C.	HOME ASSET RESERVE USED (Enter lesser of 14 or 14A.)	30,000
D.	OTHER ASSETS RESERVE USED (Enter lesser of 15 or 15A.)	5,500
E.	TOTAL RESERVES USED (Add C + D.)	35,500

F. RESERVE FOR FARM/BUSINESS ASSETS	
(If assets include farm, use **lesser** of: B minus E, **or** $100,000.)	(For business assets only, use **lesser** of: B minus E, **or** $80,000.)
94,500	

G.	**AVAILABLE FARM/BUSINESS ASSETS** (A minus F. If negative, enter 0)	0

To be used for Line 8 of Worksheets A and B (Regular Formula).

MEDICAL/DENTAL OFFSET

A.	TOTAL MEDICAL/DENTAL EXPENSES	
B.	TOTAL INCOME (Line 4)	
C.	FEDERAL AND STATE TAXES (Add lines 5 + 6)	
D.	EFFECTIVE INCOME (Line B minus line C)	
		X .20
E.	BASIC EXPENSES (Line D x .20)	
F.	MEDICAL/DENTAL OFFSET (Line A minus line E. If line F is less than 0, the offset equals 0.)	

CASE STUDY 3 - OEDIPA MAAS (NEW MEXICO)

Oedipa Maas earned $8,000 as an office assistant in a car wash in 1990 and filed a 1040A tax return, with $1,128 in Federal (U.S.) taxes paid. Unfortunately, she lost her job when the car wash converted to a brushless system. She has been classified a dislocated worker by the State of New Mexico, but has decided to enroll in a technical school. While going to school, she plans to work part-time in a framing shop, and expects to earn $3,000 dollars in 1991 and pay $300 in Federal taxes. She completed a financial aid application that does not have a "simplified data element" section. Oedipa was an Army nurse for several years, and will receive veterans educational benefits of $376 a month for nine months. She has $750 in checking and savings, and a $1,000 Certificate of Deposit.

NOTES TO CASE STUDY 3 - OEDIPA MAAS

- Oedipa is automatically considered independent because she is a veteran of the U.S. Armed Forces.

- As a single independent student with no dependents, Oedipa does not receive an Employment Expense Offset, or any offset against assets.

- There are several ways that Oedipa's Pell Grant Index can be calculated. She qualifies for the simplified formula because she filed a 1040A with less than $15,000 total taxed income. Note that the simplified formula would use her 1990 income, but would not count her veterans benefits.

- However, because Oedipa completed the supplementary data elements on the financial aid application, the processor would also calculate a Pell Grant Index based on the regular formula. Because she is a dislocated worker, Oedipa's regular formula PGI would be based on expected income for the 1991 tax year, and her home assets would not be assessed. (The simplified PGI is regarded as her "primary" PGI, and is printed at the top of the first page of the Student Aid Report, except in those cases where the simplified PGI is ineligible and the regular PGI is eligible.)

- Finally, Oedipa appears to qualify for a special condition. As a special condition filer, her expected income would be used for both the regular and simplified calculations.

The first two worksheets show how the Pell Grant Index would be calculated on Oedipa's first transaction (not using the Special Condition). On this transaction, Oedipa has an eligible PGI of 354, using the simplified formula. However, the secondary PGI (0) is even lower, because it used her expected income. (Note that the financial aid administrator has the authority to change to the secondary PGI.) If Oedipa then requested that changes be made based on her Special Condition status, the Pell Grant Index would be recalculated, as shown on the next two worksheets. Her regular calculation remains 0, and her simplified PGI is also reduced to 0.

WORK SHEET **B**

INDEPENDENT STUDENT

91-92 REGULAR FORMULA

Includes modifications for
-dislocated worker
-displaced homemaker
-special condition

CASE STUDY #3 - Oedipa Maas (First Transaction)

STUDENT/SPOUSE INCOME

1. 1990 TAXED INCOME (From IRS Form 1040-line 31, 1040A-line 16, 1040EZ-line 3. For non-tax filer, add 1A and 1B.) *	3,000
1A. INCOME EARNED FROM WORK BY STUDENT	3,000
1B. INCOME EARNED FROM WORK BY SPOUSE	
2. 1990 UNTAXED INCOME AND BENEFITS (Social Security Benefits and other—only include AFDC, Child Support if with dependents other than spouse.)*	0
3. ONE-HALF OF STUDENT'S EXPECTED VETERANS EDUCATIONAL BENEFITS	1,692
4. **TOTAL INCOME** (Lines 1 + 2 + 3)	4,692
5. 1990 U.S. INCOME TAX PAID *	300
6. STATE TAX ALLOWANCE (See Table 1)	235
7. FAMILY SIZE OFFSET (See Table 2)	6,000
8. MEDICAL/DENTAL OFFSET (Enter amount that **exceeds** 20% of: Total income minus U.S. and State taxes.)	0
9. EMPLOYMENT EXPENSE OFFSET (Enter 50% of the lesser income from line 1A or 1B, not to exceed $1,500, if student is married or has dependents.)	0
10. TUITION OFFSET (Enter tuition paid — **not to exceed** total of $4,243 times children for whom tuition is paid.)	0
11. **TOTAL OFFSETS** (Add lines 5, 6, 7, 8, 9, and 10)	6,535
12. STUDENT'S DISCRETIONARY INCOME (Line 4 minus line 11. If negative, enter as a negative number.)	-1,843
ASSESSMENT RATE (If no dependents other than spouse, multiply by .75. Others see Table 3.)	
13. **STUDENT'S CONTRIBUTION FROM INCOME** (Multiply line 12 by the assessment rate. If negative, enter 0.)	0

STUDENT/SPOUSE ASSETS

14. NET VALUE OF HOME * (Home value minus home debt)	N/A
OMIT IF SINGLE WITH NO DEPENDENTS — 14A. HOME ASSET RESERVE	- 30,000
14B. AVAILABLE HOME ASSETS (Line 14 minus reserve. If negative, enter 0.)	
15. NET VALUE OF OTHER ASSETS (Cash + checking + savings + real estate + investments, minus real estate and investment debt.)	1,750
OMIT IF SINGLE WITH NO DEPENDENTS — 15A. OTHER ASSETS RESERVE	- 25,000
15B. AVAILABLE OTHER ASSETS (Line 15 minus reserve. If negative, enter 0.)	N/A
16. AVAILABLE FARM/BUSINESS ASSETS (If student is single with no dependents, enter total net f/b assets. Others use Supplemental Worksheet.)	0
17. TOTAL AVAILABLE STUDENT/SPOUSE ASSETS (If single with no dependents, add lines 14, 15, and 16. Others add lines 14B, 15B, and 16.)	1,750
18. BASIC CONTRIBUTION FROM ASSETS (If single with no dependents, multiply line 17 by .33. Others multiply line 17 by .05. If result is negative, enter 0.)	578
19. OFFSET FOR NEGATIVE DISCRETIONARY INCOME (If line 12 is negative, enter it as a positive number; otherwise enter 0.)	1,843
20. **STUDENT'S CONTRIBUTION FROM ASSETS** (Line 18 minus line 19. If negative, enter 0.)	0
21. CONTRIBUTION FROM INCOME AND ASSETS (Lines 13 + 20.)	0
DIVIDE BY THE NUMBER OF FAMILY MEMBERS IN COLLEGE	
22. **PELL GRANT INDEX**	0

* Substitute 1991 expected taxed and untaxed income and use expected U.S. taxes paid if student or spouse is a dislocated worker, or family qualifies for a special condition.

* Do not include home assets if student or spouse is a dislocated worker or a displaced homemaker.

WORK SHEET **B**

INDEPENDENT STUDENT

91-92 SIMPLIFIED

Do not fill in shaded areas

You may use the simplified calculation if the total taxed or earned income for the student and spouse is $15,000 or less, and the student and spouse did not file a 1990 tax return, or filed a 1040A or 1040EZ.

STUDENT/SPOUSE INCOME

1. 1990 TAXED INCOME (From IRS Form 1040-line 31, 1040A-line 16, 1040EZ-line 3. For non-tax filer, add 1A and 1B.)*	8,000
1A. AMOUNT EARNED FROM WORK BY STUDENT	8,000
1B. AMOUNT EARNED FROM WORK BY SPOUSE	
2. 1990 UNTAXED INCOME AND BENEFITS (Social Security Benefits and other—only include AFDC, Child Support if with dependents other than spouse.)*	0
3. ONE-HALF OF STUDENT'S EXPECTED VETERANS EDUCATIONAL BENEFITS	
4. **TOTAL INCOME** (Lines 1 + 2 + 3)	8,000
5. 1990 U.S. INCOME TAX PAID*	1,128
6. STATE TAX ALLOWANCE (See Table 1)	400
7. FAMILY SIZE OFFSET (See Table 2)	6,000
8. MEDICAL/DENTAL OFFSET (Enter amount that **exceeds** 20% of: Total income minus U.S. and State taxes.)	
9. EMPLOYMENT EXPENSE OFFSET (Enter 50% of the lesser income from line 1A or 1B, not to exceed $1,500, if student is married or has dependents.)	0
10. TUITION OFFSET (Enter tuition paid — **not to exceed** total of $4,243 times children for whom tuition is paid.)	
11. **TOTAL OFFSETS** (Add lines 5, 6, 7, 8, 9, and 10)	7,528
12. STUDENT'S DISCRETIONARY INCOME (Line 4 minus line 11. If negative, enter as a negative number.)	472
ASSESSMENT RATE (If no dependents other than spouse, multiply by .75. Others see Table 3.)	.75
13. **STUDENT'S CONTRIBUTION FROM INCOME** (Multiply line 12 by the assessment rate. If negative, enter 0.)	354

*Substitute 1991 expected taxed and untaxed income and use extimated U.S. taxes paid if family qualifies for a special condition.

STUDENT/SPOUSE ASSETS

14. NET VALUE OF HOME (Home value minus home debt)	
OMIT IF SINGLE WITH NO DEPENDENTS — 14A. HOME ASSET RESERVE	
14B. AVAILABLE HOME ASSETS (Line 14 minus reserve. If negative, enter 0.)	
15. NET VALUE OF OTHER ASSETS (Cash + checking + savings + real estate + investments, minus real estate and investment debt.)	
OMIT IF SINGLE WITH NO DEPENDENTS — 15A. OTHER ASSETS RESERVE	
15B. AVAILABLE OTHER ASSETS (Line 15 minus reserve. If negative, enter 0.)	
16. AVAILABLE FARM/BUSINESS ASSETS (If student is single with no dependents, enter total net f/b assets. Others use Supplemental Worksheet.)	
17. TOTAL AVAILABLE STUDENT/SPOUSE ASSETS (If single with no dependents, add lines 14, 15, and 16. Others add lines 14B, 15B, and 16.)	
18. BASIC CONTRIBUTION FROM ASSETS (If single with no dependents, multiply line 17 by .33. Others multiply line 17 by .05. If result is negative, enter 0.)	
19. OFFSET FOR NEGATIVE DISCRETIONARY INCOME (If line 12 is negative, enter it as a positive number; otherwise enter 0.)	
20. **STUDENT'S CONTRIBUTION FROM ASSETS** (Line 18 minus line 19. If negative, enter 0.)	0
21. CONTRIBUTION FROM INCOME AND ASSETS (Lines 13 + 20.)	354
DIVIDE BY THE NUMBER OF FAMILY MEMBERS IN COLLEGE	
22. **PELL GRANT INDEX**	354

CASE STUDY # 3 - Oedipa Maas (First Transaction)

WORK SHEET **B**

INDEPENDENT STUDENT

91-92 SIMPLIFIED

Do not fill in shaded areas

You may use the simplified calculation if the total taxed or earned income for the student and spouse is $15,000 or less, and the student and spouse did not file a 1990 tax return, or filed a 1040A or 1040EZ.

STUDENT/SPOUSE INCOME

1. 1990 TAXED INCOME (From IRS Form 1040-line 31, 1040A-line 16, 1040EZ-line 3. For non-tax filer, add 1A and 1B.)*	3,000
1A. AMOUNT EARNED FROM WORK BY STUDENT	3,000
1B. AMOUNT EARNED FROM WORK BY SPOUSE	
2. 1990 UNTAXED INCOME AND BENEFITS (Social Security Benefits and other—only include AFDC, Child Support if with dependents other than spouse.)*	0
3. ONE-HALF OF STUDENT'S EXPECTED VETERANS EDUCATIONAL BENEFITS	
4. **TOTAL INCOME** (Lines 1 + 2 + 3)	3,000
5. 1990 U.S. INCOME TAX PAID*	300
6. STATE TAX ALLOWANCE (See Table 1)	150
7. FAMILY SIZE OFFSET (See Table 2)	6,000
8. MEDICAL/DENTAL OFFSET (Enter amount that **exceeds** 20% of: Total income minus U.S. and State taxes.)	
9. EMPLOYMENT EXPENSE OFFSET (Enter 50% of the lesser income from line 1A or 1B, not to exceed $1,500, if student is married or has dependents.)	0
10. TUITION OFFSET (Enter tuition paid — **not to exceed** total of $4,243 times children for whom tuition is paid.)	
11. **TOTAL OFFSETS** (Add lines 5, 6, 7, 8, 9, and 10)	6,450
12. STUDENT'S DISCRETIONARY INCOME (Line 4 minus line 11. If negative, enter as a negative number.)	-3,450
ASSESSMENT RATE (If no dependents other than spouse, multiply by .75. Others see Table 3.)	
13. **STUDENT'S CONTRIBUTION FROM INCOME** (Multiply line 12 by the assessment rate. If negative, enter 0.)	0

*Substitute 1991 expected taxed and untaxed income and use extimated U.S. taxes paid if family qualifies for a special condition.

STUDENT/SPOUSE ASSETS

14. NET VALUE OF HOME (Home value minus home debt)	
OMIT IF SINGLE WITH NO DEPENDENTS — 14A. HOME ASSET RESERVE	
14B. AVAILABLE HOME ASSETS (Line 14 minus reserve. If negative, enter 0.)	
15. NET VALUE OF OTHER ASSETS (Cash + checking + savings + real estate + investments, minus real estate and investment debt.)	
OMIT IF SINGLE WITH NO DEPENDENTS — 15A. OTHER ASSETS RESERVE	
15B. AVAILABLE OTHER ASSETS (Line 15 minus reserve. If negative, enter 0.)	
16. AVAILABLE FARM/BUSINESS ASSETS (If student is single with no dependents, enter total net f/b assets. Others use Supplemental Worksheet.)	
17. TOTAL AVAILABLE STUDENT/SPOUSE ASSETS (If single with no dependents, add lines 14, 15, and 16. Others add lines 14B, 15B, and 16.)	
18. BASIC CONTRIBUTION FROM ASSETS (If single with no dependents, multiply line 17 by .33. Others multiply line 17 by .05. If result is negative, enter 0.)	
19. OFFSET FOR NEGATIVE DISCRETIONARY INCOME (If line 12 is negative, enter it as a positive number; otherwise enter 0.)	
20. **STUDENT'S CONTRIBUTION FROM ASSETS** (Line 18 minus line 19. If negative, enter 0.)	0
21. CONTRIBUTION FROM INCOME AND ASSETS (Lines 13 + 20.)	0
DIVIDE BY THE NUMBER OF FAMILY MEMBERS IN COLLEGE	
22. **PELL GRANT INDEX**	0

CASE STUDY #3 - Dedipa Maas (Second Transaction based on Special Conditions)

WORK SHEET **B**

INDEPENDENT STUDENT

91-92 REGULAR FORMULA

Includes modifications for
-dislocated worker
-displaced homemaker
-special condition

CASE STUDY #3 - Oedipa Maas (Second Transaction based on special condition)

STUDENT/SPOUSE INCOME

1. 1990 TAXED INCOME (From IRS Form 1040-line 31, 1040A-line 16, 1040EZ-line 3. For non-tax filer, add 1A and 1B.) *	3,000
1A. INCOME EARNED FROM WORK BY STUDENT	3,000
1B. INCOME EARNED FROM WORK BY SPOUSE	0
2. 1990 UNTAXED INCOME AND BENEFITS (Social Security Benefits and other—only include AFDC, Child Support if with dependents other than spouse.)*	
3. ONE-HALF OF STUDENT'S EXPECTED VETERANS EDUCATIONAL BENEFITS	1,692
4. **TOTAL INCOME** (Lines 1 + 2 + 3)	4,692
5. 1990 U.S. INCOME TAX PAID *	300
6. STATE TAX ALLOWANCE (See Table 1)	235
7. FAMILY SIZE OFFSET (See Table 2)	6,000
8. MEDICAL/DENTAL OFFSET (Enter amount that **exceeds** 20% of: Total income minus U.S. and State taxes.)	0
9. EMPLOYMENT EXPENSE OFFSET (Enter 50% of the lesser income from line 1A or 1B, not to exceed $1,500, if student is married or has dependents.)	0
10. TUITION OFFSET (Enter tuition paid — **not to exceed** total of $4,243 times children for whom tuition is paid.)	0
11. **TOTAL OFFSETS** (Add lines 5, 6, 7, 8, 9, and 10)	6,535
12. STUDENT'S DISCRETIONARY INCOME (Line 4 minus line 11. If negative, enter as a negative number.)	-1,843
ASSESSMENT RATE (If no dependents other than spouse, multiply by .75. Others see Table 3.)	
13. **STUDENT'S CONTRIBUTION FROM INCOME** (Multiply line 12 by the assessment rate. If negative, enter 0.)	0

STUDENT/SPOUSE ASSETS

14. NET VALUE OF HOME * (Home value minus home debt)	N/A
OMIT IF SINGLE WITH NO DEPENDENTS — 14A. HOME ASSET RESERVE	- 30,000
14B. AVAILABLE HOME ASSETS (Line 14 minus reserve. If negative, enter 0.)	
15. NET VALUE OF OTHER ASSETS (Cash + checking + savings + real estate + investments, minus real estate and investment debt.)	1,750
OMIT IF SINGLE WITH NO DEPENDENTS — 15A. OTHER ASSETS RESERVE	- 25,000
15B. AVAILABLE OTHER ASSETS (Line 15 minus reserve. If negative, enter 0.)	
16. AVAILABLE FARM/BUSINESS ASSETS (If student is single with no dependents, enter total net f/b assets. Others use Supplemental Worksheet.)	0
17. TOTAL AVAILABLE STUDENT/SPOUSE ASSETS (If single with no dependents, add lines 14, 15, and 16. Others add lines 14B, 15B, and 16.)	1,750
18. BASIC CONTRIBUTION FROM ASSETS (If single with no dependents, multiply line 17 by .33. Others multiply line 17 by .05. If result is negative, enter 0.)	578
19. OFFSET FOR NEGATIVE DISCRETIONARY INCOME (If line 12 is negative, enter it as a positive number; otherwise enter 0.)	1,843
20. **STUDENT'S CONTRIBUTION FROM ASSETS** (Line 18 minus line 19. If negative, enter 0.)	0
21. CONTRIBUTION FROM INCOME AND ASSETS (Lines 13 + 20.)	0
DIVIDE BY THE NUMBER OF FAMILY MEMBERS IN COLLEGE	
22. **PELL GRANT INDEX**	0

* Substitute 1991 expected taxed and untaxed income and use expected U.S. taxes paid if student or spouse is a dislocated worker, or family qualifies for a special condition.

* Do not include home assets if student or spouse is a dislocated worker or a displaced homemaker.

CASE STUDY 4 - KATJE BORGESIUS (PENNSYLVANIA)

Katje and her husband Stu are 25 and 26 years old, respectively. They are both full-time students and worked part-time in 1990; Katje earned $6,000 and Stu earned $5,000. Their adjusted gross income (IRS Form 1040A - line 16) was $11,000, and they paid $1,294 in Federal income taxes. They have total assets of $5,000, in checking and savings, and a money market fund.

NOTES TO CASE STUDY 4 - KATJE BORGESIUS

- Katje is considered to be an independent student because she is 25 years old.
- Katje qualifies for the simplified formula because she and her husband filed a 1040A and their combined taxed income was $11,000. Thus, her assets are not used in the calculation.

WORK SHEET **B**

INDEPENDENT STUDENT

91-92 SIMPLIFIED

Do not fill in shaded areas

You may use the simplified calculation if the total taxed or earned income for the student and spouse is $15,000 or less, and the student and spouse did not file a 1990 tax return, or filed a 1040A or 1040EZ.

CASE STUDY #4 - KATJE BOURGESIUS

STUDENT/SPOUSE INCOME

1. 1990 TAXED INCOME (From IRS Form 1040-line 31, 1040A-line 16, 1040EZ-line 3. For non-tax filer, add 1A and 1B.)*	11,000
1A. AMOUNT EARNED FROM WORK BY STUDENT	6,000
1B. AMOUNT EARNED FROM WORK BY SPOUSE	5,000
2. 1990 UNTAXED INCOME AND BENEFITS (Social Security Benefits and other—only include AFDC, Child Support if with dependents other than spouse.)*	0
3. ONE-HALF OF STUDENT'S EXPECTED VETERANS EDUCATIONAL BENEFITS	
4. TOTAL INCOME (Lines 1 + 2 + 3)	11,000
5. 1990 U.S. INCOME TAX PAID*	1,294
6. STATE TAX ALLOWANCE (See Table 1)	990
7. FAMILY SIZE OFFSET (See Table 2)	7,500
8. MEDICAL/DENTAL OFFSET (Enter amount that **exceeds** 20% of: Total income minus U.S. and State taxes.)	
9. EMPLOYMENT EXPENSE OFFSET (Enter 50% of the lesser income from line 1A or 1B, not to exceed $1,500, if student is married or has dependents.)	1,500
10. TUITION OFFSET (Enter tuition paid — **not to exceed** total of $4,243 times children for whom tuition is paid.)	
11. TOTAL OFFSETS (Add lines 5, 6, 7, 8, 9, and 10)	11,284
12. STUDENT'S DISCRETIONARY INCOME (Line 4 minus line 11. If negative, enter as a negative number.)	-284
ASSESSMENT RATE (If no dependents other than spouse, multiply by .75. Others see Table 3.)	.75
13. STUDENT'S CONTRIBUTION FROM INCOME (Multiply line 12 by the assessment rate. If negative, enter 0.)	0

*Substitute 1991 expected taxed and untaxed income and use extimated U.S. taxes paid if family qualifies for a special condition.

STUDENT/SPOUSE ASSETS

14. NET VALUE OF HOME (Home value minus home debt)	
OMIT IF SINGLE WITH NO DEPENDENTS — **14A.** HOME ASSET RESERVE	
OMIT IF SINGLE WITH NO DEPENDENTS — **14B.** AVAILABLE HOME ASSETS (Line 14 minus reserve. If negative, enter 0.)	
15. NET VALUE OF OTHER ASSETS (Cash + checking + savings + real estate + investments, minus real estate and investment debt.)	
OMIT IF SINGLE WITH NO DEPENDENTS — **15A.** OTHER ASSETS RESERVE	
OMIT IF SINGLE WITH NO DEPENDENTS — **15B.** AVAILABLE OTHER ASSETS (Line 15 minus reserve. If negative, enter 0.)	
16. AVAILABLE FARM/BUSINESS ASSETS (If student is single with no dependents, enter total net f/b assets. Others use Supplemental Worksheet.)	
17. TOTAL AVAILABLE STUDENT/SPOUSE ASSETS (If single with no dependents, add lines 14, 15, and 16. Others add lines 14B, 15B, and 16.)	
18. BASIC CONTRIBUTION FROM ASSETS (If single with no dependents, multiply line 17 by .33. Others multiply line 17 by .05. If result is negative, enter 0.)	
19. OFFSET FOR NEGATIVE DISCRETIONARY INCOME (If line 12 is negative, enter it as a positive number; otherwise enter 0.)	
20. STUDENT'S CONTRIBUTION FROM ASSETS (Line 18 minus line 19. If negative, enter 0.)	0
21. CONTRIBUTION FROM INCOME AND ASSETS (Lines 13 + 20.)	0
DIVIDE BY THE NUMBER OF FAMILY MEMBERS IN COLLEGE	2
22. PELL GRANT INDEX	0

CASE STUDY 5 - GARY MICHAELS (NORTH CAROLINA)

Gary Michaels and his wife Lindsay have two children. Gary served in the Navy for several years, and has had several construction jobs since then. Two years ago he decided to go to college to become an elementary school teacher. Gary earned $3,000 as a part-time motorcycle mechanic in 1990, and Lindsay earned $11,000 as a respiratory therapist. Their adjusted gross income (IRS 1040 - line 31) was $14,700, and they paid $1,384 in Federal income tax. Gary's mother gave them her small house when she retired four years ago. The house is worth $42,250, with a remaining mortgage of $2,600. They have $1,200 in checking and savings, two $500 savings bonds, and another $1,000 in a mutual fund.

Their younger child had a serious operation in 1990. The total bills amounted to $8,000; the Michaels were able to pay $3,200 in 1990. (They did not have health insurance.)

NOTES TO CASE STUDY 5 - GARY MICHAELS

- Gary is automatically independent for two reasons: because he is a veteran, and because he has dependent children.

- Even though the Michaels' combined taxed income is under $15,000, Gary does not qualify for the simplified formula because he and Lindsay filed the full 1040 income tax return.

- The Michaels' total income minus U.S. taxes paid and the State tax allowance is $11,993. Twenty percent of that amount is $2,399 (rounded up from $2,398.6). This amount is subtracted from the unreimbursed medical/dental expenses. Thus the medical/dental offset is $801.

- The Michaels have negative discretionary income (-$1,108) which is used as an offset against assets.

WORK SHEET **B**

INDEPENDENT STUDENT

91-92 REGULAR FORMULA

Includes modifications for
-dislocated worker
-displaced homemaker
-special condition

CASE STUDY #5 - Gary Michaels

STUDENT/SPOUSE INCOME

1. 1990 TAXED INCOME (From IRS Form 1040-line 31, 1040A-line 16, 1040EZ-line 3. For non-tax filer, add 1A and 1B.) *	14,700
1A. INCOME EARNED FROM WORK BY STUDENT	3,000
1B. INCOME EARNED FROM WORK BY SPOUSE	11,000
2. 1990 UNTAXED INCOME AND BENEFITS (Social Security Benefits and other—only include AFDC, Child Support if with dependents other than spouse.)*	0
3. ONE-HALF OF STUDENT'S EXPECTED VETERANS EDUCATIONAL BENEFITS	0
4. **TOTAL INCOME** (Lines 1 + 2 + 3)	14,700
5. 1990 U.S. INCOME TAX PAID *	1,384
6. STATE TAX ALLOWANCE (See Table 1)	1,323
7. FAMILY SIZE OFFSET (See Table 2)	11,800
8. MEDICAL/DENTAL OFFSET (Enter amount that **exceeds** 20% of: Total income minus U.S. and State taxes.)	801
9. EMPLOYMENT EXPENSE OFFSET (Enter 50% of the lesser income from line 1A or 1B, not to exceed $1,500, if student is married or has dependents.)	1,500
10. TUITION OFFSET (Enter tuition paid — **not to exceed** total of $4,243 times children for whom tuition is paid.)	0
11. **TOTAL OFFSETS** (Add lines 5, 6, 7, 8, 9, and 10)	16,808
12. STUDENT'S DISCRETIONARY INCOME (Line 4 minus line 11. If negative, enter as a negative number.)	-2,108
ASSESSMENT RATE (If no dependents other than spouse, multiply by .75. Others see Table 3.)	
13. **STUDENT'S CONTRIBUTION FROM INCOME** (Multiply line 12 by the assessment rate. If negative, enter 0.)	0

STUDENT/SPOUSE ASSETS

14. NET VALUE OF HOME * (Home value minus home debt)	39,650
OMIT IF SINGLE WITH NO DEPENDENTS — 14A. HOME ASSET RESERVE	- 30,000
14B. AVAILABLE HOME ASSETS (Line 14 minus reserve. If negative, enter 0.)	9,650
15. NET VALUE OF OTHER ASSETS (Cash + checking + savings + real estate + investments, minus real estate and investment debt.)	3,200
OMIT IF SINGLE WITH NO DEPENDENTS — 15A. OTHER ASSETS RESERVE	- 25,000
15B. AVAILABLE OTHER ASSETS (Line 15 minus reserve. If negative, enter 0.)	0
16. AVAILABLE FARM/BUSINESS ASSETS (If student is single with no dependents, enter total net f/b assets. Others use Supplemental Worksheet.)	0
17. TOTAL AVAILABLE STUDENT/SPOUSE ASSETS (If single with no dependents, add lines 14, 15, and 16. Others add lines 14B, 15B, and 16.)	9,650
18. BASIC CONTRIBUTION FROM ASSETS (If single with no dependents, multiply line 17 by .33. Others multiply line 17 by .05. If result is negative, enter 0.)	483
19. OFFSET FOR NEGATIVE DISCRETIONARY INCOME (If line 12 is negative, enter it as a positive number; otherwise enter 0.)	2,108
20. **STUDENT'S CONTRIBUTION FROM ASSETS** (Line 18 minus line 19. If negative, enter 0.)	0
21. CONTRIBUTION FROM INCOME AND ASSETS (Lines 13 + 20.)	0
DIVIDE BY THE NUMBER OF FAMILY MEMBERS IN COLLEGE	1
22. **PELL GRANT INDEX**	0

* Substitute 1991 expected taxed and untaxed income and use expected U.S. taxes paid if student or spouse is a dislocated worker, or family qualifies for a special condition

* Do not include home assets if student or spouse is a dislocated worker or a displaced homemaker.

WORK SHEET **S**

91-92 SUPPLEMENTAL WORKSHEETS

for Farm and Business Assets, Medical/Dental Offset

CASE STUDY #5 - GARY MICHAELS

To be used for Line 16 of Worksheets A and B (Regular Formula).

**Do not use if student is a single independent student with no dependents.*

FARM/BUSINESS ASSETS

A.	NET FARM/BUSINESS ASSETS (Farm/business value minus farm/business debt.)	
B.	MAXIMUM ALLOWABLE RESERVE FOR FARM/BUSINESS ASSETS (If assets include a farm, enter $130,000. If business asset only, enter $110,000.)	
C.	HOME ASSET RESERVE USED (Enter lesser of 14 or 14A.)	
D.	OTHER ASSETS RESERVE USED (Enter lesser of 15 or 15A.)	
E.	TOTAL RESERVES USED (Add **C** + **D**.)	

F. RESERVE FOR FARM/BUSINESS ASSETS	
(If assets include farm, use **lesser** of: B minus E, **or** $100,000.)	(For business assets only, use **lesser** of: B minus E, **or** $80,000.)

G.	**AVAILABLE FARM/BUSINESS ASSETS** (A minus F. If negative, enter 0)	

To be used for Line 8 of Worksheets A and B (Regular Formula).

MEDICAL/DENTAL OFFSET

A.	TOTAL MEDICAL/DENTAL EXPENSES	3,200
B.	TOTAL INCOME (Line 4)	14,700
C.	FEDERAL AND STATE TAXES (Add lines 5 + 6)	2,707
D.	EFFECTIVE INCOME (Line B minus line C)	11,993
		X .20
E.	BASIC EXPENSES (Line D x .20)	2,399
F.	MEDICAL/DENTAL OFFSET (Line A minus line E. If line F is less than 0, the offset equals 0.)	801

APPENDIX:
TABLES 1-3

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TABLE 1
STATE AND LOCAL TAX ALLOWANCE

STATE	PERCENT OF TOTAL INCOME (Line 4)		STATE	PERCENT OF TOTAL INCOME (Line 4)	
	$0-14,999	$15,000 or more		$0-14,999	$15,000 or more
Alabama	7%	6%	Missouri	7%	6%
Alaska	3%	2%	Montana	7%	6%
American Samoa	4%	3%	Nebraska	9%	8%
Arizona	7%	6%	Nevada	4%	3%
Arkansas	7%	6%	New Hampshire	7%	6%
California	9%	8%	New Jersey	10%	9%
Canada	9%	8%	New Mexico	5%	4%
Colorado	8%	7%	New York	14%	13%
Connecticut	8%	7%	North Carolina	9%	8%
Delaware	9%	8%	North Dakota	6%	5%
District of Columbia	11%	10%	Northern Mariana Islands	4%	3%
Federated States of Micronesia	4%	3%	Ohio	9%	8%
Florida	5%	4%	Oklahoma	7%	6%
Georgia	8%	7%	Oregon	11%	10%
Guam	4%	3%	Palau	4%	3%
Hawaii	11%	10%	Pennsylvania	9%	8%
Idaho	9%	8%	Puerto Rico	3%	2%
Illinois	8%	7%	Rhode Island	11%	10%
Indiana	7%	6%	South Carolina	9%	8%
Iowa	9%	8%	South Dakota	5%	4%
Kansas	8%	7%	Tennessee	5%	4%
Kentucky	8%	7%	Texas	4%	3%
Louisiana	4%	3%	Utah	9%	8%
Maine	10%	9%	Vermont	9%	8%
Marshall Islands	4%	3%	Virgin Islands	4%	3%
Maryland	11%	10%	Virginia	9%	8%
Massachusetts	11%	10%	Washington	6%	5%
Mexico	9%	8%	West Virginia	7%	6%
Michigan	12%	11%	Wisconsin	13%	12%
Minnesota	12%	11%	Wyoming	3%	2%
Mississippi	7%	6%	Blank or invalid State	9%	8%

Multiply Total Income by the appropriate rate from table to get the State and Other Tax Allowance. Use parent's or student's State of Legal Residence.

TABLE 2

FAMILY SIZE OFFSETS

1	6,000
2	7,500
3	9,200
4	11,800
5	14,000
6	15,600
7 or more	15,600 *plus 1,900 for each family member over 6*

TABLE 3

CONTRIBUTION FROM INCOME

DISCRETIONARY INCOME	(LINE 12)	EXPECTED CONTRIBUTION
$0 - 5000		11%
$5,001 - 10,000		$550 + 13% of the amount over 5,000
$10,001 - 15,000		$1,200 + 18% of the amount over 10,000
$15,001+		$2,100 + 25% of the amount over 15,000

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